

YKK®

English

This is YKK 2019



YKK PHILOSOPHY

CYCLE OF GOODNESS

"No one prospers without rendering benefit to others."



As an important member of society, a company survives through coexistence. When the benefits are shared, the value of the company's existence will be recognized by society.

When pursuing his business, YKK's founder, Tadao Yoshida, was most concerned with that aspect, and would find a path leading to mutual prosperity.

He believed that using ingenuity and inventiveness in business activities and constantly creating new value would lead to the prosperity of clients and business partners and make it possible to contribute to society.

This type of thinking is referred to as the "Cycle of Goodness," and has always served as the foundation of our business activities.

We have inherited this way of thinking, and have established it as the YKK Philosophy.

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YKK MANAGEMENT PRINCIPLE

"YKK seeks corporate value of higher significance."



Seeking corporate value of higher significance, YKK will pursue innovative quality in the seven key areas shown above.

YKK Group companies seek to delight our customers, earn the high regard of society and make our employees happy and proud.

We are improving the quality of our products, technology, and management as the means to achieve this.

We make fairness the fundamental standard for all YKK Group business operations, and this is the basis for our management decisions.

YKK CORE VALUES

**Do not fear failure; experience builds success. /
Create opportunities for employees.**

Insist on quality in everything.

Build trust, transparency and respect.

Editorial Policy

This is YKK 2019 was prepared as a communication tool to help a diversity of stakeholders to better grasp an overview of the management and business of the YKK Group. It contains information including the Philosophy, Mid-Term Management Plan and financial highlights, together with details of initiatives within business activities in FY2018 aimed at the resolution of social or environmental issues.

Extent of Coverage

YKK Group companies (YKK Corporation, YKK AP Inc., and others)

Period Covered

April 1, 2018 to March 31, 2019
* Includes some activities from outside of this period

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<http://www.ykk.com>
The latest information and related information

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Message from the Presidents

The YKK Group has continued to grow hand-in-hand with society, based on the YKK Philosophy of the "Cycle of Goodness." The following messages from the presidents of YKK and YKK AP discuss the direction the Group aims to take in order to create a sustainable society.

Pursuing the Possibilities of Manufacturing and Providing Value that Brings Joy to Customers and Society



Hiroaki Otani
President, YKK Corporation

When we think about how our business can contribute to a sustainable society, we always find ourselves back at the YKK Philosophy – the "Cycle of Goodness." While developing his business, YKK founder Tadao Yoshida reached the conclusion that "no one prospers without rendering benefit to others." As he searched for a way to prosper with customers and society using his life-long passion for manufacturing, the founder believed that using ingenuity and inventiveness in business activities, constantly creating new value, and providing it to customers would lead to the prosperity of customers and business partners, and make it possible to contribute to society. This has been passed soundly down to us, even now as we do business in 72 countries and regions.

Under the Fifth Mid-Term Management Plan (FY2017 – FY2020), the Fastening Product Group established "Aim for

further quantitative growth – Better products at a lower cost and greater speed" as its mid-term business policy. It is working toward achievement of the goal of selling 12.88 billion zippers in FY2020. In FY2018, the Group achieved its goal of selling 10 billion zippers, reaching a significant milestone. However, numbers are only a business barometer. What we are truly aiming for is the "Technology Oriented Value Creation" described in our mid-term management vision and to use our technologies to provide value that goes beyond customers satisfaction – to provide value that creates customer joy. For this and from the perspective of making things simpler and even more stress free, we emphasize concepts that help resolve any bother and stress that might be felt by customers. At the same time, we want to be a company where each employee can work with joy and pride, and with the thinking that every one of us is a member of management.

When looking at the world, we see many issues that could be an obstacle to the achievement of a sustainable society. Addressing such challenges is a shared mission of companies and a responsibility as a corporate citizen. In particular, environmental issues that should be addressed as a manufacturing company have been summarized as the "YKK Group Environmental Vision 2050," which also takes into account the feelings of Group employees around the world.

We will contribute to a sustainable society by continuing to devote ourselves to corporate activities that are based on the YKK Philosophy – the "Cycle of Goodness."

Achieving a Better Society by Contributing to Healthy and Comfortable Lives Through Our Business

YKK AP aims to be a company that delivers progressive comfort through architectural products. It also seeks to contribute to the realization of a sustainable society that brings richness to people's lives.

The business policy under the Fifth Mid-Term Management Plan is "Sustainable growth of the AP business through added-value and demand creation." We have established priorities, such as the promotion of high thermal insulation windows and the reinforcement of sales by expanding product range and increasing product appeal. Looking back at the first two years, we are confident that they are all progressing steadily.

However, the business environment surrounding YKK AP continues to change drastically, including a decrease in construction work, a shortage of craftsmen, and increase in consumer needs for energy conservation, health and comfort. With the YKK Philosophy of the "Cycle of Goodness" as the foundation, we are contributing through our business to the resolution of such social challenges.

Windows and doors, which are our main business domain, are prone to the greatest heat loss, and high thermal insulation windows can lead to a reduction in energy used in a building for heating and cooling. As the demand for energy conservation increases, we are developing vinyl windows with high thermal insulation properties as well as raising related public awareness. The adoption rate of vinyl windows is around 70% in the U.S. and Europe. However, it is not even 20% in Japan. As a leading company in vinyl windows, we are therefore carrying out study sessions, hands-on exhibits at showrooms and other awareness-building activities.

Vinyl windows can also contribute greatly



Hidemitsu Hori

President, YKK AP Inc.

to people's health and comfort. In a home with low thermal insulation, temperatures can vary greatly from room to room. This can increase the risk of health-related incidents, especially among the elderly. Meanwhile, condensation can cause an increase in mites and mold, and lead to allergic reactions. Vinyl windows, with their high thermal insulation properties, can lower such risks and contribute to a decrease in home accidents.

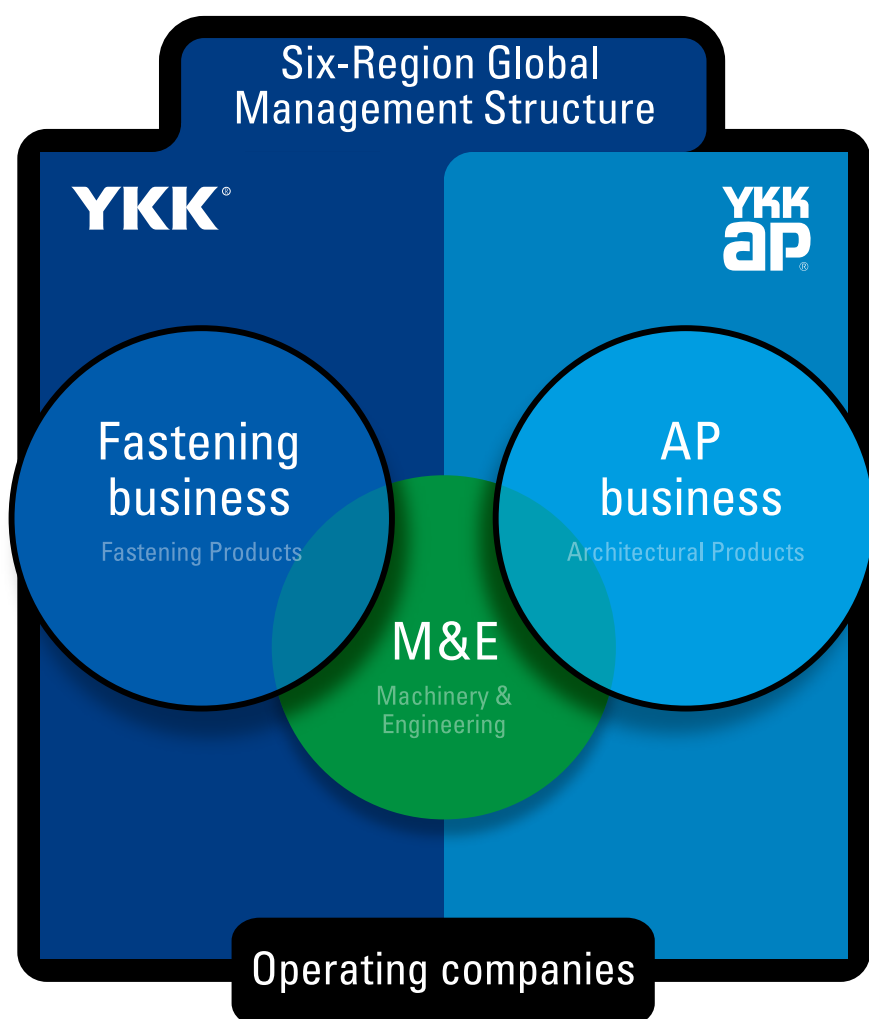
Fortunately, we are a company that is capable of making products that achieve energy conservation or contribute to the environment. As the UN's Sustainable Development Goals (SDGs) spread, our employees are feeling the pride of making a contribution to the world. It is when employees become interested and find joy that efforts become something authentic. We will stay simple and honest in regard to manufacturing and continue to engage earnestly in our technologies, thereby making contributions that only YKK AP can achieve for the resolution of social challenges.

YKK Group Business Activities

Global Business Management

A Global Business Management Structure, with the Fastening and Architectural Products Businesses as Core Operations

The YKK Group global management matrix consists of two core operations—the Fastening Business and the Architectural Products (AP) Business—supported by the Machinery & Engineering Group, which provides the two core operations with an integrated system of production; and a six-region global management structure which conducts regional business.



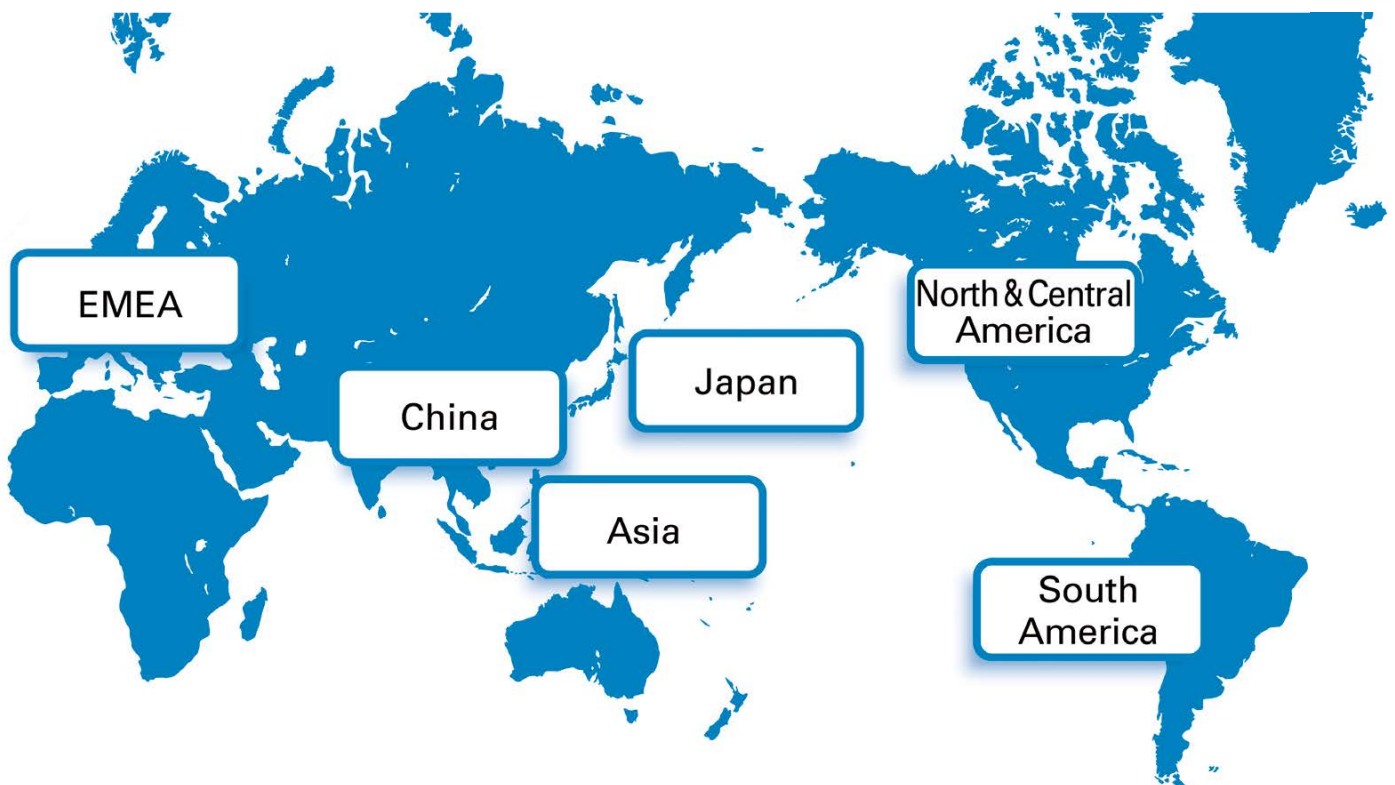
Six-Region Global Management Structure

Conducting Business under a Six-Region Global Management Structure

The YKK Group is currently engaged in business in 72 countries/regions around the world. Our management system divides the world into six regional bases:

North and Central America; South America; Europe, the Middle East & Africa (EMEA); China; Asia; and Japan.

The global business is carried out with YKK Group companies of each region playing a leading role and making the most of their respective regional characteristics.



In Pursuit of *Monozukuri** that Contributes to the Resolution of Social Issues



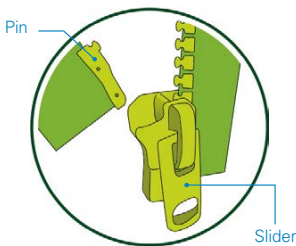
QuickFree®



GOOD DESIGN AWARD 2018

**GOLD
AWARD**

Bottom part of slider body is 3.2 times larger



Release function



Fastening Business

Zippers to Make Clothing Safe and Easy to Open and Close

QuickFree® is a new zipper from YKK that is easy for small children and the elderly to use, applies universal design, and is safe and secure. The background to its development was a focus on resolving day-to-day inconvenience and risks for consumers.

▶ QuickFree®

Zippers designed for advanced operability, safety and security, so that even small children can zip or unzip it themselves. QuickFree® was recognized for expanding conventional functions to demonstrate new potential, winning the Prime Minister's Award (Grand Prize) at Kids Design Award 2018. It also won the Gold Award in the Good Design Award 2018.

How Zippers Can Provide Safety and Security

Opening and closing zippers can pose difficulties for small children and the elderly. The hoods on children's clothing can be convenient in rain or snow, but there is also the risk that they catch on play equipment or door knobs during play. The inspiration for the design was the desire to create a zipper that retained the convenience of hoods but that was safe and easy to open and close.

New Added-Value for Clothing

With QuickFree®, the shape of the slider has been altered to improve visibility, and the opening where the pin is inserted has 3.2 times the surface area of a regular zipper. This reduces mis-insertion, significantly improving operability. It is designed with a release function which unfastens the slider and thereby opens the zipper when a degree of force is applied from both sides. If children's clothing gets caught on play equipment, it can help to lighten the load on the body and hopefully prevent accident or injury, realizing greater safety and security for the user.

In the future, it is hoped that it will provide new added-value in various fields, including sports garments and outdoor goods.

Technology Capability that Supports *Monozukuri*

Zipper production demands a high degree of precision. YKK uses an integrated production system, undertaking the development of materials, and manufacturing equipment itself, and making efforts to achieve even better *monozukuri*. With this unique technology capability as its strength, YKK achieves a global standard of quality at its plants worldwide.

Expanding Customers' Joy

Through *monozukuri*, YKK strives to resolve inconveniences and annoyances in everyday life. Although zippers are just one part, by offering a new experience and value to users, YKK is able to contribute to better living for people. Going forward, YKK will continue to place importance on the concepts of simplification and stress reduction, with products that exceed customer expectations, to spread joy throughout the world.

* The art of manufacturing

Since its foundation, YKK Group has endeavored to provide customers with better products through invention, ingenuity and improvement. Products are introduced below that are representative of the embodiment of YKK's Mid-Term Management Vision of "Technology Oriented Value Creation" and our efforts at new value creation to resolve social issues.

AP Business

Improving Japanese Homes with Vinyl Windows

YKK AP aims to improve the thermal insulation performance of Japanese homes starting with windows, there by contributing to the realization of low-energy, healthy and comfortable living. Through our APW vinyl window series, YKK AP seeks new potential and value delivery, while focusing on development and popularization.

▶ APW Vinyl Window Series

APW, a brand from YKK AP, delivers high-level thermal insulation performance and advanced functions together with refined designs and high quality. Through pursuit of high performance, attractiveness and comfort, it has provided healthy and comfortable living to more people since the launch of sales in 2009. It has received many awards to date, and the new value it provides has been highly appraised.



With high performance triple-glazing, APW430 realizes world-leading thermal insulation performance

Windows are the Key to Healthy and Comfortable Living

A home's thermal environment has an impact on people's health. Examples include "heat shock" caused by indoor temperature differences and heat stroke indoors during summer. The poorer a home's thermal insulation performance is, the higher the risk is, which might have life-threatening consequences, particularly for the elderly. Furthermore, condensation and mold which occur around windows can be a cause for allergy-related illnesses. Windows, which allow the most amount of heat in and out throughout the year, are the key to thermal insulation performance in order to realize healthy and comfortable homes.

Changing Homes through the Power of Vinyl Windows

All of the APW vinyl window series, including the world-leading APW430, achieve high levels of thermal insulation performance. They moderate indoor temperature variations, providing cool in summer and warmth in winter, to realize healthy and comfortable living. Furthermore, they contribute to controlling energy consumption and improvement of building asset value. In its efforts to popularize this power of vinyl windows, YKK AP pursues functionality together with design to meet the demands of a wide range of users.

Monozukuri that Provides Value to Society

YKK AP realizes a higher level of *monozukuri* through an integrated production system, whereby the company conducts its own development and production from materials and manufacturing equipment through to products. The company has manufacturing bases across Japan, from the country's first specialized window factory, Saitama MADO (window) Plant, together with Rokko MADO (window) Factory, Tohoku Plant, MADO (window) Factory and others. In addition, during product development, the company implements user verification, verifying product quality from the perspective of the consumer. The company thereby continues its pursuit of safe products that are easy for everyone to use.



APW430 cross-section



As Awarded by The Chicago Athenaeum: Museum of Architecture and Design and The European Centre for Architecture Art Design and Urban Studies.

Winner of the international Green Good Design Awards 2019, presented to products and companies for superior environmental performance and advanced technology

Expanding Comfortable Living with Vinyl Windows

As vinyl windows are becoming the standard worldwide, Japan's diffusion rate has stalled at just 17%.* In order to improve Japanese homes, YKK AP will continue striving to develop and popularize vinyl windows with attention to function and quality. In March 2019, the company further enhanced its range with the launch of the APW430 high performance triple-glazed double-sliding vinyl window. The company is engaged in enhancement of production capabilities to advance the spread of vinyl windows in Japan.



YKK AP Saitama MADO (window) Plant

* Source: "Survey of Residential Architectural Products Use 2017," Japan Sash Manufacturers Association

Formation of Environmental Vision 2050

In April 2019, the YKK Group established its Environmental Vision 2050 in response to the great need for environmental actions on a global scale. The Vision defines the long-term direction for environmental initiatives that the entire Group must take in order to realize a higher level of environmental management.

YKK Group Environmental Vision 2050

The YKK Group, in the spirit of the "Cycle of Goodness," challenges society and all employees to create new value in order to realize a rich natural environment for all living things in the future.

Towards a brighter future for nature and humanity



Environmental Vision Formulation Process

Creating a Vision with Employee Participation

We formulated this Vision by incorporating opinions gathered from a broad range of younger employees in Japan, as well as employees in all our operations in the six regions. We invited younger employees, who will determine the future of the YKK Group, to multiple workshops, where we worked together to identify the issues that

Towards the Future

While steadily executing activities (through FY2020) based on the ongoing YKK Group Fifth Mid-Term Environmental Management Principles, we will simultaneously proceed with preparing activities based on the Vision, which will go into effect starting FY2021. Specifically, we will break the Vision down further to the levels of Group companies and businesses, establishing environmental principles and effective target values that can be implemented.

Furthermore, since we consider it important to instill the Vision throughout our entire organization, we have been continuously

the Group must address.

Based on the results of a survey targeting all employees in the six regions, we distilled initiatives and key phrases of common interest. In this way, the Vision reflects the ideas and opinions of the employees who will become the main driving force behind our future activities.

promoting it through in-house activities such as sending out messages from top management, creating promotion videos, displaying posters, and utilizing internal newsletters. In this way, we are promoting decision making from a long-term perspective and helping our employees develop an environmental mindset. Additionally, in the area of public relations, we will actively promote clear understanding of the YKK Group's environmental activities among a broad range of stakeholders through creating PR tools, displaying information in exhibits, and introducing information in sales promotion tools, etc.



Employee workshop in progress

Formulation Process and Future Expansion



Responding to climate change

The climate change that is occurring on a global scale has become a serious problem for all organisms living on Earth. Considering it our responsibility as a member of society to take actions to mitigate this problem, the YKK Group is striving to reduce the emissions of greenhouse gases, including CO₂, and adapt to climate change.

Utilization of resources

Since the YKK Group manufactures many products, including zippers and windows, various types of resources that constitute raw materials are essential for us. To ensure that we will be able to stably continue supplying our products well into the future, we are acting to maximize effective utilization of non-renewable resources, and also taking initiatives to recycle the waste materials generated throughout the entire life cycle of our products.

Sustainable use of water

While water is an essential resource for sustaining life and all types of industry, the amount and quality available vary widely depending on the country and region. For those of us who aim for prosperous coexistence with society, joining our communities in sustainably utilizing water resources is essential. Therefore, we are taking actions such as cutting back the volume of water intake and reducing the environmental load in waste water.

Symbiosis with nature

Nature provides resources essential to an affluent lifestyle, such as a stable atmosphere, clean water, and healthy food, and gives us places for recreation. To leave the possibility of an affluent lifestyle for the generations to come, we are engaged in activities to protect the natural environment and reduce our environmental impact.

Towards the Realization of our Environmental Vision 2050

Dealing with Climate Change



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

The greenhouse gas emissions reduction targets for FY2030 set by YKK AP obtain the international Science Based Targets (SBT) initiative certification

At YKK AP, we promote environmental measures focused on products and manufacturing. The greenhouse gas emissions reduction targets for FY2030, set as a new response to climate change risk in manufacturing, were recognized as targets based on scientific proof to achieve the 2°C target of the Paris Agreement. In January 2019, we received certification by the SBT initiative, an international body.

In the future, to achieve this target, we shall continue to invest in energy-saving facilities and improve operations, as well as make use of natural energy sources, carry out green purchasing, and find other ways to minimize our environmental impact through the overall lifecycle. At the same time, we will aim to create new values for a sustainable society.

Promoting environmental measures from the twin aspects of products and manufacturing and achieving zero environmental impact throughout the overall lifecycle in our business activities, as outlined by YKK AP, is where we want to see ourselves in the year 2050. We are aiming for a 30% reduction (from FY2013 levels) in greenhouse gas emissions by FY2030, and are promoting cross-department roll-out of case examples of energy-saving carried out at production and sales bases.



Hiroaki Shigezumi,
Safety and Environment Department, YKK AP

Using Resources



GreenRise™ (plant-based zipper)

Developing Plant-based Sustainable Products

With the increasing needs and expectations for sustainable products, YKK has developed GreenRise™, a new zipper based on the concept of contributing to a sustainable society through products. Sales started in April 2019. GreenRise™ is made using 30% plant-based raw materials derived from sugarcane waste molasses (the inedible part).

The use of petrochemical-based materials has been reduced compared to previous

products, and the amount of CO₂ emitted during the overall lifecycle of the product is reduced. In addition, making effective use of byproducts* from the sugar production process helps reduce the environmental impact. We intend to continue pursuing new environmentally-friendly products based on this focus of contributing to a sustainable society.

* Based on the laws of the country producing the raw material.

As the world is progressing towards the realization of a sustainable society, "sustainability" is becoming a key concept within products as well. We shall continue to contribute to the effective use of resources through developing and promoting the sale of products that offer reduced environmental impacts such as recyclable or biodegradable fasteners, and recycling zippers.



Yoko Morihira,
Hiromi Aoshima

Planning Department, Apparel Business Development Division, Slide Fastener Business, Fastening Products Group, YKK (left)
VF/TAPE/DESIGN Development Department, Product Development Division, Slide Fastener Business, Fastening Products Group, YKK (right)

The YKK Group Environmental Vision 2050 is something with which every YKK Group employee worldwide is involved. Here, we present characteristic initiatives related to the four themes of our Vision, and messages from YKK Group employees about achieving our Vision.

Sustained Use of Water



In front of the equipment brought in with the members who manage it

Recycling Water: Initiative at the YKK KOREA CO., LTD Plant

Water is a vital resource for both daily life and business. However, there are regions around the world where the demand for water is pressing, and there are serious concerns about running out. YKK KOREA CO., LTD. which manufactures fastening products, has brought in recycling equipments (RO system) that treats waste water generated by its production processes and recycles it to use as industrial water again. This promotes the use of recycled

water within the factory. It means that we can not only reduce the amount of water resources used, but reduce the amount of waste water released by the factory, allowing us to minimize the generation of environmentally hazardous materials. Since its adoption in 2007, the reuse rate for water has been increasing each year, reaching 34% in FY2018. Aiming to further increase this, we will continue working on sustainable manufacturing.

The use of the RO system allows us to reduce both the amount of tap water and groundwater we use and the amount of waste water released by the factory, helping to reduce the amount of waste water by YKK Korea overall. We shall continue to expand the re-use of water and prevent environmental pollution, aiming to achieve zero release of waste water in the future.



Han Hyo-hee

Facility Environment and Safety Management, YKK Korea

Symbiosis with Nature



The Dublin Plant surrounded by its rich natural environment

Working toward a symbiosis between business activities and the natural environment

YKK's founder had a dream to create a "factory in a forest," aiming to create a corporate group that existed in symbiosis with nature. YKK AP AMERICA INC.'s Dublin Plant is located in an approximately 204 acres site within Georgia covering an expansive area of wetland. Around 60% of this site is rich natural forest, home to turkeys, deer, and other wild animals. The surrounding wetlands were also purchased when the plant was constructed, and its

operations are still run in such a way as to carefully protect this environment. The plant also has a wastewater treatment facility that was designed to exceed the strictest wastewater standards of the time. These sorts of considerations for the environment are strictly adhered to even today. As a company paired with a forest, YKK AP AMERICA will work toward a symbiosis with the natural environment.

To achieve our Environmental Vision 2050, I will actively fulfill my responsibilities toward the environment within our local community. I also plan to expand our environmental management system (ISO 14001) with a special emphasis on the improvement of internal audits, and will continue to work to strengthen our environmental compliance.



Chip Wilson

YKK AP AMERICA INC., Dublin, GA Environmental Manager

Details regarding environmental activities are available at: <https://www.ykk.com/english/corporate/csr/index.html>

Thinking Together, Advancing Together

Regional Communities and the YKK Group

The YKK Group aims to contribute to the development of each region through business activities that utilize the characteristics unique to each region, and also to help solve the issues of regional communities as a participating member.



Global Business Management Structure

72 countries/regions
108 companies
(As of March 31, 2019)



Start of overseas operations
(New Zealand)
1959



YKK Group Tree Planting Day
The number of trees planted so far:
50,000 or more

"Becoming Part of the Local Community" — The "Cycle of Goodness" in Our Operations

Since our foundation, the YKK Group has valued links to our communities, both at home and abroad, where we do business.

Our founder, Tadao Yoshida, said the following:

communities and the economies of their respective countries.

(Excerpt from The Complete Works of Tadao Yoshida, Vol. II, Management Philosophy)

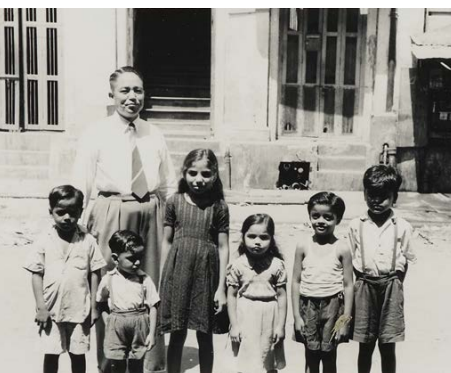
"YKK exists all around the globe, an expanding Cycle of Goodness.

In the course of this expansion, I have always told everyone that YKK is not just a Japanese firm; it exists in its own manifestations in the United States and Germany, for example.

We cannot expect to be loved unless we are constantly contributing to local

Yoshida also explained that when people are working abroad, "They should show respect for a place's customs, practices and traditions, and feel as if they were actually born there." At the YKK Group, we believe in being part of the local community.

We constantly bear in mind the need to think locally and work with communities to prosper and grow together in accordance with the YKK philosophy of the "Cycle of Goodness."



YKK founder Tadao Yoshida with local children

History of Community Dialogues in Kurobe City, Toyama Prefecture

The YKK Group has hosted Stakeholder Dialogues annually since 2010 to provide a forum for the exchange of opinions. The YKK Group has held an ongoing series of dialogues with a range of stakeholders, including local residents and administrations, in the

city of Kurobe City, Toyama Prefecture. By sincerely accepting the opinions we have been offered and responding similarly, we have been able to use them to solve local issues and improve the business activities of the YKK Group.

Major themes of each dialogue

Session 1 (June 2010)

What is Expected of the YKK Group in Building a Sustainable Society



Session 2 (April 2011)

The YKK Group and Symbiosis with the Natural World



Session 3 (March 2012)

What is Expected of Monozukuri at the YKK Group



Session 4 (April 2013)

Solving Social Issues in the YKK Group



Session 5 (April 2014)

What is Expected of the YKK Group Within the Local Community



Session 6 (May 2015)

The YKK Group in "Thinking Together—Regional Communities and the YKK Group"



Session 7 (April 2016)

Low-Carbon Urban Development



Session 8 (April 2017)

Building a Low-Carbon City without Reliance on Automobile Usage



Session 9 (April 2018)

Using the Facilities of the YKK Group to Pursue Harmony with Nature



▼ Main opinions received and the responses of the YKK Group (from FY2010 to FY2018)

Main opinions and comments	Main responses by the YKK Group
Contributions to the environment and reducing impacts	
Survey of groundwater use over the Kurobe River alluvial fan region	<ul style="list-style-type: none"> Survey of groundwater conducted jointly with the administration and a university. Introduced an air conditioning system that uses groundwater heat Promoted an environmental plan until 2020, and moving ahead with formulating a long-term vision for 2050 and beyond.
Response to new energies rather than relying on fossil fuels	
Response to a low-carbon society	
Monozukuri	
Responses to low-carbon, recycling societies, and society's needs	<ul style="list-style-type: none"> Launched products that are environmentally-friendly, such as the APW vinyl window series that offers high thermal insulation performance, and recyclable zippers. Rebuilt the Kurobe Furumido Plant, constructed a plant for machine parts dedicated to zippers for the Machinery and Engineering Group Promoted active communication such as by using an external awards system
Further promotion of environmental measures in plants.	
Making the results of manufacturing "visible"	
Participation in the local community	
Utilization of Furusato-No-Mori (local recreation forests) and biotopes (community exchanges, training the next generation, etc.)	<ul style="list-style-type: none"> Formulated concepts for Furusato No Mori and water areas and created a development plan for five years hence. Helped plant black pines as wind breaks with local residents Employees provided environmental education at daycare facilities, etc. Using Center Park as the foundation of our educational tourism, we offered hands-on learning for school trips, etc.
Using Furusato No Mori as places to foster a desire to make forests together	
Rolling out school visits	
Not just industrial tourism, but towards educational tourism	
Urban development in Kurobe City	
Creating a system that utilizes local resources, and working with companies and city residents	<ul style="list-style-type: none"> Initiatives towards creating low-energy homes and towns through passive design that utilizes natural energy Effective fusion of YKK Group personnel infrastructure with Kurobe community infrastructure
Achieving a Kurobe-style low-carbon lifestyle	
Promoting the achievement of a low-carbon compact city which does not depend on personal automobiles	



Kurobe River Alluvial Fan

Considering the Creation of a Sustainable Society from Kurobe

The YKK Group Stakeholder Dialogues have reached their tenth session. Stakeholders and employees assembled in the Kurobe Office, located in the city of Kurobe in Toyama Prefecture, where they looked back on previous dialogues and exchanged opinions on the theme of the "YKK Group Environmental Vision 2050." (Implemented on April 25, 2019)

Tenth Stakeholder Dialogue



Participants (from left to right)

- **Nature conservation group representative:** Yuki Ishikura (Manager of Interaction & Cooperation Promotion Department, Toyama Environment Foundation)
- **Business partner:** Akira Hirano (President & CEO, Hirano Komuten K.K.)
- **Participant from local government authority:** Emi Makino (Manager, Living Environment Section, Citizen Affairs Department, Kurobe City)
- **Consumer representative:** Rika Inagaki (Promoter of global warming prevention efforts in Toyama)

- **Facilitator:** Professor Noriyasu Kunori, Ph.D.
- **Foreign exchange student:** Bian Guanzhen (Department of Social Infrastructure Engineering, Graduate School of Engineering, Toyama Prefectural University)
- **Naturalist:** Kikuyo Matsuki (Vice Chairperson, Kurobe Gorge Naturalist Society)
- **Student:** Yuta Takegoshi (Department of Environmental and Civil Engineering, Faculty of Engineering, Toyama Prefectural University)
- **Local resident:** Yoko Murata (Vice-Chair, Muratsubaki Promotion Society)

Repeated Dialogues Bear Fruit in a Range of Fields

In the first half of the dialogue, the contents of the previous nine sessions were summarized. Professor Kunori, who had served as facilitator from the first session, reflected that "each subsequent dialogue has broadened the themes and issues beyond what we expected." These dialogues, which began from expectations towards the YKK Group, have developed into major themes such as solving local issues and the creation of low-carbon cities, building on the various social trends of the time. The cumulative result of these dialogues sustained over a decade have moved both us and the region firmly towards the realization of a sustainable society.

Considering Contributions to a Sustainable Society with a View to Achieving the Environmental Vision 2050

The YKK Group has established a new vision, the YKK Group Environmental Vision 2050, which lays out our long-term initiatives towards the environment. In the second half of the dialogue, a workshop was held where participants shared opinions on how the YKK Group could work with local communities, what sort of future it wants to create, and how it will do so. (See pp. 9-10 for details of the Environmental Vision 2050.)

Laying out a Vision of the Future We Want to Achieve Together Based on "Uniquely Kurobe" Concepts

For the four themes of the YKK Group Environmental Vision 2050, each group shared opinions on what it wanted Kurobe to be like in 2050 and how to achieve this.

Responses to Climate Change

Kurobe, with its mountains, rivers, and sea, is an area rich in topographical variety. It would be good if we could make use of these features to collect electricity generated by geothermal power plants, hydropower from rivers, sea current energy, solar, and other sources, and achieve "local production and local consumption" of electricity in the Kurobe region. Considering the grid on a regional scale, will, I believe, lead to the realization of a compact city.

Sustainable Use of Water

To use water resources sustainably, we can consider the issue from three perspectives: (1) reducing the amount of water we use (not using water in the first place, or finding technologies to replace it); (2) reducing the environmental impact of waste water (recycling water); and (3) ensuring water resources (creating forests to stockpile groundwater, for example). I think it would be wonderful if the YKK Group could develop the technologies to achieve these, and we could bring about a "zero water factory" that neither uses nor discharges water in Kurobe.

Utilizing Resources

I believe it is becoming increasingly important to design products from the perspective of their lifecycles. I would like the YKK Group to bring about monozukuri that considers product consumption and disposal. Examples include the development of perfect "non-recycle products" that do not need recycling, or improving technologies and systems for sorting and recycling materials.

Coexistence with Nature

In addition to creating forests, which the YKK Group is putting its efforts into, there are environmental issues that need to be dealt with in Kurobe, such as the accumulation of sediment in dams and seashore erosion. I expect the Group together with its stakeholders to consider innovative methods and engage in solving these issues. In addition, I hope that Kurobe can make use of its location connected to Osaka and Tokyo by the Hokuriku Shinkansen and its beautiful natural environment to hold environment summits and other events in Kurobe or otherwise serve as a place to spread environmental measures.



Professor Kunori making his opening remarks



Looking back on past dialogues

Thoughts after Holding the Stakeholder Dialogues

These dialogues, which got their start in 2010 at the Kurobe Office based on the theme that "stakeholder dialogues are a forum to hold frank dialogues between a company and the related parties who are directly or indirectly affected by the company, and to consider together the upcoming society, including corporate activities," have now reached their tenth anniversary. I consider it quite notable that this project has continued for a whole decade. Looking back over these ten years, there has been a change from getting opinions regarding the company's environmental measures to "how we can create a better society with our stakeholders." The true value of these dialogues will come out in terms of how the YKK Group will connect with and contribute to the local community.



Participants and employees formed groups to share opinions and present their ideas



Noriyasu Kunori Ph.D.

- Professor (Engineering), Faculty of Arts and Sciences, Sagami Women's University
- Toyama City Policy Advisor
- Toyama City Environmental Council Chairperson

Forest Management



"YKK is a Forest Organization."

These are the words of our founder, Tadao Yoshida.

In a forest, some trees are old and venerable, rich with experience and knowledge,
while some trees are young, scarcely more than saplings.

Our organization aims to be like a forest, with each individual growing onward and
upward in their own unique way.

Forest Management enables everyone to exercise his or her own strengths with individuality and
to work skillfully without needing to be directed by others, all the while moving forward together.

While we are all employees, we are also all managers.

Promoting Diversity

In accordance with its Forest Management concept, the YKK Group has made fostering of diversity an important issue for management. We look not only at outward differences, such as gender, nationality or disability, but inward differences, such as values and experience, so that we can make the best use of each and every employee's abilities.

In the North and Central America region, in conjunction with the UN's International Women's Day, we created web content to spread messages about empowering women. In 2019, we used videos and photos to show how female employees working in North and Central America Group companies thought about "Balance for Better."



YKK North and Central America region celebrates International Women's Day

<https://connect.ykknorthamerica.com/ykk-connect/ykk-north-and-central-america-region-celebrates-international-women-s-day>

Global Human Resources Development

The YKK Group carries out business around the globe. Each of our companies establishes human resources systems appropriate for the country or region it is in, and works to enhance support for improving employee skills or their careers. In the EMEA region, we have the EMEA Academy, a training program designed to foster next-generation leaders in order to expand our business on an ongoing basis.

We carry out collaborative tasks to discuss and make proposals regarding the future of the EMEA Region that go beyond nations, companies, or official positions. Through the Asia Talent Development Program (ATDP), we also work to foster leaders who can think and act on their own and be responsible for the growth of business in the growing Asian markets.



Discussions at the Asia Talent Development Program (ATDP)

YKK Bangladesh Pte Ltd. Obtains Alliance Certification

In December 2018, YKK Bangladesh Pte Ltd. has obtained certification from Alliance for Bangladesh Worker Safety, which works on strengthening the rights of garment industry workers and ensuring their safety. This is certification that a factory complies with the Alliance Fire Safety and Structural Integrity Standard in the Alliance Factory Inspections (assessments) by Qualified Assessment

Firms, and YKK Bangladesh was certified as the only Alliance-certified company in Bangladesh among zipper manufacturers. (As of March 2019)

The YKK Group will continue working on ensuring the safety of workplaces around the world. "Nirapon" seeks to build on the work of the Alliance in its five years of operation.



YKK Bangladesh Pte Ltd.

Aiming to Instill the YKK Group Management Principle

The YKK Group, whose business extends to countries and regions throughout the world, has employees from diverse cultural backgrounds who hold different values. Consequently, the permeation of the YKK Management Principle and Core Values is an important topic for management. Through long-standing initiatives to share the Principles and Philosophy, we focus on nurturing people and creating a corporate culture which enhance our corporate value.

Each Employee Understands and Practices the Principle

The YKK Philosophy of the "Cycle of Goodness," has always served as the foundation for business activities and supported the Group's expansion since the founding of the company. In 1994, developing the Philosophy in keeping with the times, we launched the new Management Principle,

"YKK seeks corporate value of higher significance." Since then, we have been promoting the YKK Group's Principle and Philosophy throughout the entire YKK Group organization so that each employee understands and inherits them in order to ensure their succession down the generations.

40,000 Employee Forum

More than 40,000 people worldwide work for the YKK Group. We hold the 40,000 Employee Forum so that all employees can have a sense of pride and unity in working at the YKK Group and advance boldly into the future. In each country, region, and organization, we utilize tools such as videos on the Management Principle to talk about the ideas and actions that we feel exemplify YKK. Along with deepening understanding of the YKK Philosophy, Management Principle, and Core Values, we encourage each person to practice them in their daily work.

This forum's purpose was to make each employee aware that they are the ones inheriting our Principle, and that this Principle forms the core of each of their tasks. The forum was led by The Philosophy Promotion Activities Team formed from each organization, with a focus on on-site guidance. Participating employees commented that they "re-affirmed the importance of tackling challenges," "could sense the principle at work when they managed to please customers," or "wanted to present behavior that would act as an example to others." Through the various activities to reinforce the Management Principle, the YKK Group's Principle and Philosophy are passed down.

YKK Group Management Principle Study Group

The Management Principle Study Group is made up of members selected from each business every year and carries out research on the nature of the YKK Group's Principle and Philosophy to enable them to be passed on. In FY2018, the theme was "Forest Management." How did the expression "Forest Management" come to be? From a range of literature and books, as well as interviews with former members, they were able to confirm the ideas of the founder at the time and summarize the position of Forest Management in the YKK Group.



FY2018 Management Principle Study Group members



China Region (YKK (China) Investment Co., Ltd.)



South America Region (YKK do Brasil LTDA.)

Column

The YKK Philosophy of the "Cycle of Goodness" as seen from a management perspective

The "Cycle of Goodness," formed from the philosophy of our founder, Tadao Yoshida, has supported the YKK Group's expansion. Dr. Keinosuke Ono, a YKK external director, explains this management philosophy in the book, *YKK Founder Tadao Yoshida and His Management Philosophy of the 'Cycle of Goodness,'* as follows.

The basic nature of the idea of the "Cycle of Goodness" is that contributing to the society will lead to your own prosperity. And your prosperity will contribute to the development of the world. The concept, I believe, refers to these two aspects in a dynamic cycle. [...]

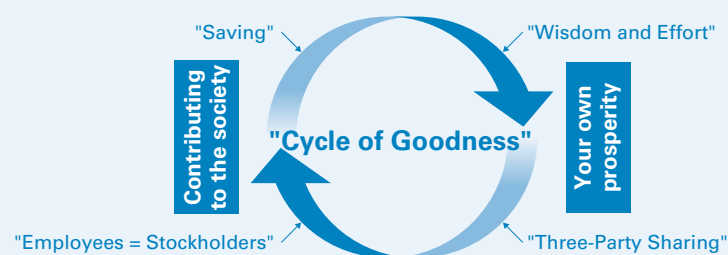
Looking at it more specifically, there are four principles that strongly reflect the values of the founder in the process of this cycle. The first of these is that "saving is important." He says what divides humans from animals is that humans save things up. So some of the value generated through work needs to be saved or accumulated. This is one of the fundamental principles that actually drives the philosophy of the "Cycle of Goodness."

The second principle is the one that I find the most unique, and that is the idea that the stockholders should be the employees. The third principle is "wisdom and effort." Whether an individual or an organization, in order to advance, you must use wisdom, and work at least as hard, if not harder, than normal people. And the fourth principle is the idea of "three-party sharing," or in other words, distributing the added value created through business activities to our customers, our business partners, and to our corporate managers and employees.

The philosophy of the "Cycle of Goodness" is practiced in YKK's business management via these four fundamental principles. [...]

I suspect that the management philosophy of the "Cycle of Goodness" was, basically, born from Tadao Yoshida's own beliefs and values. What I want to emphasize here is that it has two aspects: these beliefs and values, but also economic rationality. The "Cycle of Goodness" is a sentimental value born from beliefs and values, but at the same time, it is a value, a philosophy, that comes with economic rationality for the company known as YKK to expand. That has given birth to the growth of YKK up to the present.

▼ The four principles that support the "Cycle of Goodness"



Source: *YKK Founder Tadao Yoshida and His Management Philosophy of the 'Cycle of Goodness,'* published in 2008 to celebrate the centennial of Tadao Yoshida's birth

Dr. Keinosuke Ono

1963: Graduated from the Administration Engineering Department, Faculty of Engineering, Keio University. 1968: Completed doctoral course in Graduate School of Engineering of the same university. 1970: Completed the International Teacher Program at Harvard Business School. 1983: Obtained doctorate in engineering from Keio University. 1984: Professor, Keio Business School. 1997: Committee Chair and Principal, KBS. 2005: Professor Emeritus, Keio University (to present), Dean of the College of Business Administration and Information Science and the Graduate School of Business Administration and Information Science, Chubu University. 2007: Dean of Students, Chubu University. 2007: YKK External Director (to present). 2010: Vice-President and Professor, Chubu University. 2014: Specially Appointed Professor, Chubu University. 2015: Professor Emeritus, Chubu University (to present).
Major works: *Management Decision-Making in Overseas Production* (1984), *Management of Manufacturing Companies* (joint authorship, 1990), *The Age of Mission-Driven Management* (1997), *Toward Mission-Driven Management* (2000)



The YKK Group: Fifth Mid-Term Management Plan

Overall Policy

Under the management vision of "Technology Oriented Value Creation" in the Fifth Mid-term Management Plan (FY2017–FY2020), the YKK Group has positioned "product appeal and proposal capabilities," "technology and manufacturing capability" and "human

resource development" as primary points. The Group is promoting the initiatives presented in the mid-term management plan with the aim of achieving a target of 8.0% or more in terms of an operating income margin and an ROA of 5.0% or more.

YKK Group: Fifth Mid-Term Management Plan (FY2017–2020)

The Fifth Mid-Term Management Vision

Technology Oriented Value Creation

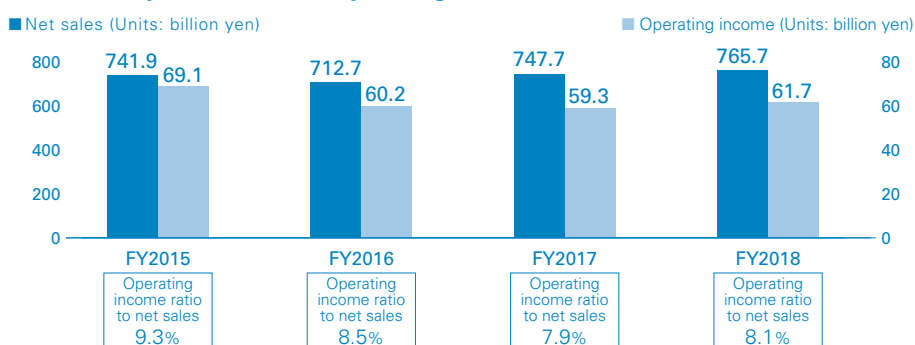
Primary Management Focus		- Product appeal & proposal capability - Technology & manufacturing capability - Human resource development
Goals of the Mid-Term Plan		- Operating income ratio of 8.0% or above - ROA of 5.0% or above
Mid-Term Business Policy	YKK Corporation	Development and innovation in <i>monozukuri</i> An endeavor for YKK's <i>monozukuri</i> in the "Standard" category
	YKK AP Inc.	Sustainable growth of the AP business through added-value and demand creation

Summary of Consolidated Financial Results FY2018

As for the YKK Group's consolidated results for FY2018, net sales were 765.7 billion yen (up 2.4% year on year). Operating income was 61.7 billion yen (up 4.1% year

on year), ordinary income was 64.4 billion yen (up 7.6% year on year), and net income attributable to owners of parent was 45.8 billion yen (up 18.3% year on year).

▼ YKK Group Net Sales and Operating Income



See the following website for details regarding YKK Group FY2018 business results.

<https://www.ykk.com/english/corporate/financial/index.html>

Points for the FY2019 Organizational System Changes

Establishment of the Fastening Sustainability Department and Business Reform Project in the Fastening Business

Responding to the recent rising awareness among society regarding sustainability and increasing demand from customers, we have established the new Fastening Sustainability Department to formulate and promote sustainable business development and new product introduction in the fastening business. To ensure both quantitative growth and environmental response through products and technologies, we will focus our efforts on planning and rolling out environmentally-friendly products. In

addition, we will maintain and strengthen our compliance system to construct a sustainable business system, thereby aiming to achieve a sustainable business.

At the same time, we established the Business Reform Project to formulate and construct a global standard business process and support the global expansion of the fastening business by responding promptly to changes in the business environment in different countries or regions.

Quality Assurance Department Established for Architectural Products (AP) Business

In the AP business, enhancing quality control is one of our key policies for FY2019. To that end, we have established the Quality Assurance Department to further enhance quality from order receipt to mass production and post-launch, in addition to the development process. Through cross-departmental liaisons among the entire AP business, it will focus on the following three key activities as the organization responsible for ensuring quality

in all processes in the supply chain or production quality during manufacturing, in addition to normal product quality control.

- (1) Establish and rebuild quality assurance process from order receipt to shipment (including outsourced products)
- (2) Promote and further strengthen operation of quality assurance processes
- (3) Establish a quality assurance system to improve customer satisfaction

These were announced on March 5, 2019. See the following website for details of the day's presentation.

https://www.ykk.co.jp/japanese/corporate/g_news/2019.html (Information in Japanese)

Total Annual Zipper Sales Volume Exceeds 10 Billion for the First Time

The total number of zippers sold by YKK during FY2018 was 10.07 billion (a year-on-year increase of 105.7%). Reaching 10 billion in sales has taken 85 years since our founding, and 60 years since our first overseas expansion. If all these zippers were laid out end to end, they would reach more than 3 million km, or about 80 times around the globe.

80 times around the globe

Consolidated Financial Data of the YKK Group

Fiscal year Year ended	2008 March 31, 2009	2009 March 31, 2010	2010 March 31, 2011	2011 March 31, 2012
Net sales (millions of yen)	613,446	556,439	544,896	544,434
Ordinary income (millions of yen)	15,862	16,572	30,976	26,681
Net income attributable to owners of parent (millions of yen)	-42,785	3,828	10,136	16,334
Comprehensive income (millions of yen)	–	–	-6,090	14,336
Total assets (millions of yen)	384,695	399,866	391,095	403,169
Net assets per share (yen)	705,886	689,593	690,322	715,364
Basic net income per share (yen)	314,223	326,352	318,900	328,395
Diluted net income per share (yen)	-35,681	3,192	8,453	13,622
Equity ratio (%)	53.4	56.7	55.4	55.0
Return on equity (%)	-10.0	1.0	2.6	4.2
Cash flows from operating activities (millions of yen)	65,867	68,431	55,955	32,076
Cash flows from investing activities (millions of yen)	-44,114	-32,636	-31,635	-39,667
Cash flows from financing activities (millions of yen)	-13,809	-21,795	-13,465	6,636
Cash and cash equivalents at the end of period (millions of yen)	74,571	90,429	98,201	96,891
Employees (number) [The numbers in square brackets represent the average number of part-time employees not included in the numbers of regular employees.]	38,530 [7,531]	37,597 [5,595]	38,080 [7,031]	37,719 [7,127]

Notes:

1. Net sales are presented exclusive of consumption tax.
2. Diluted net income per share is not presented because the Company had no dilutive securities.
3. Price earnings ratio is not presented because the stock is not listed.

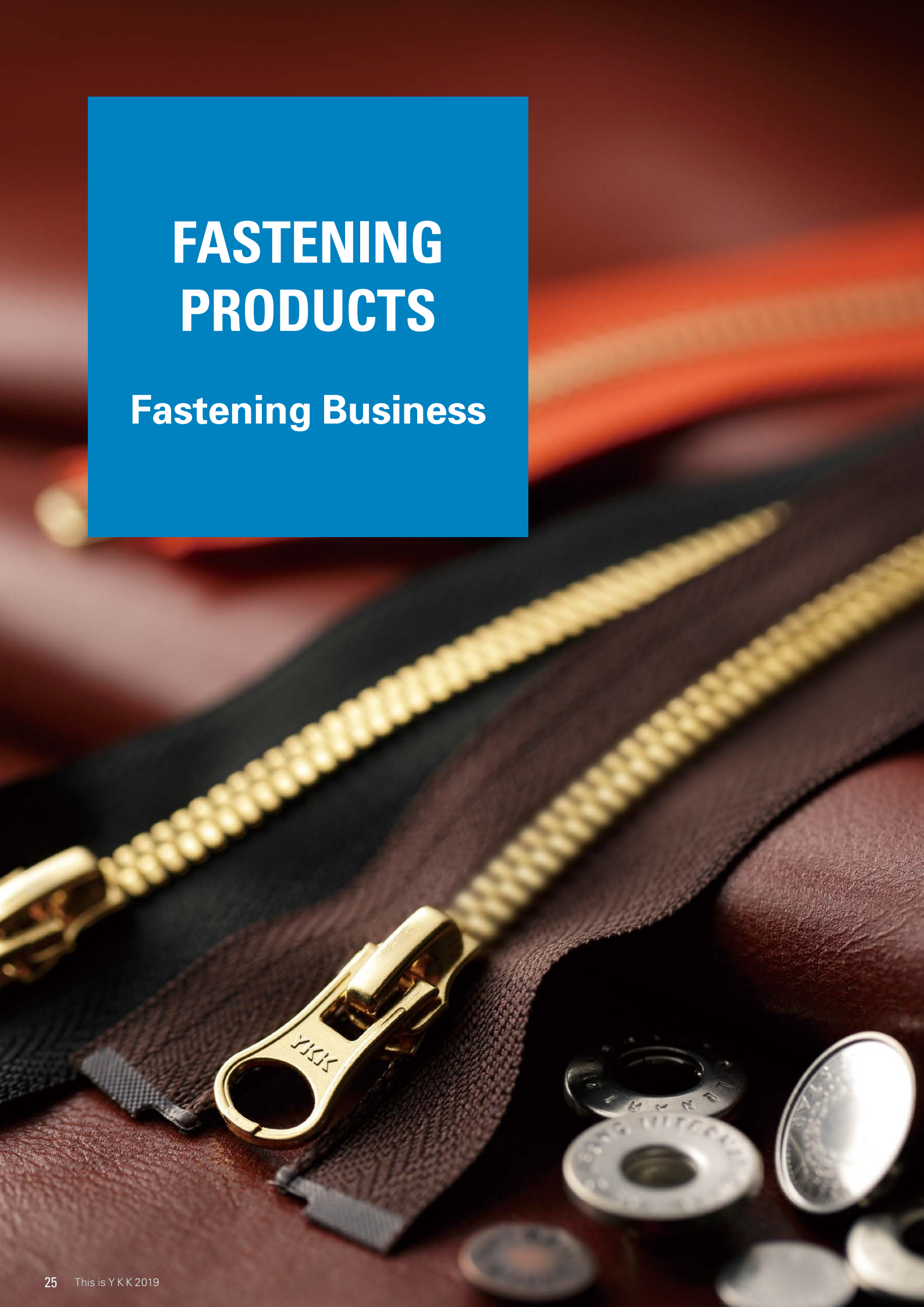
2012 March 31, 2013	2013 March 31, 2014	2014 March 31, 2015	2015 March 31, 2016	2016 March 31, 2017	2017 March 31, 2018	2018 March 31, 2019
576,965	696,929	721,037	741,935	712,783	747,762	765,781
33,681	66,022	69,720	70,988	61,545	59,924	64,466
32,692	44,908	46,978	44,646	45,180	38,728	45,824
70,777	70,447	81,416	-20,695	51,998	30,123	38,420
471,271	513,543	586,664	561,547	609,848	636,361	671,195
788,440	883,336	946,283	954,060	963,231	978,563	1,011,934
384,171	417,986	477,438	456,991	496,267	518,187	546,662
27,265	37,453	39,181	37,237	37,683	32,302	38,220
58.4	56.7	60.5	57.4	61.8	63.5	64.8
7.7	9.3	8.8	8.0	7.9	6.4	7.2
67,214	85,186	91,254	101,727	81,619	57,525	68,607
-44,013	-60,708	-65,976	-95,252	-59,345	-67,661	-53,888
-11,719	-3,784	-4,379	-4,359	-14,569	-4,470	-3,255
116,510	143,131	173,558	167,229	171,259	155,076	166,241
38,235 [7,123]	40,306 [6,828]	42,154 [5,738]	44,250 [5,390]	44,674 [4,801]	45,618 [4,538]	46,167 [4,430]

4. The scope of employees has changed from the year ended March 31, 2014, as the number of employees includes contractors, senior employees and other applicable employees, which were previously included under the average number of part-time employees.

5. For the year ended March 31, 2010, 43 foreign consolidated subsidiaries were consolidated by using their financial statements as of the parent fiscal year end (a 15-month period), prepared solely for consolidation purposes. The fiscal year end of a total of 47 foreign consolidated subsidiaries was changed from December 31 to March 31. Therefore, their fiscal year included 15 months of operating results.

FASTENING PRODUCTS

Fastening Business

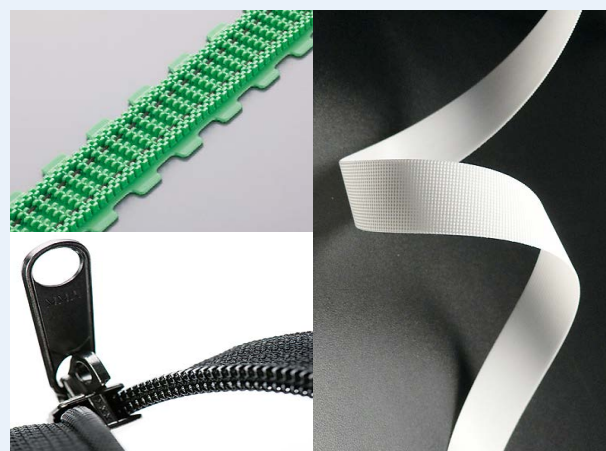


Development of a New Growth Strategy

For over 80 years, the Fastening Products business has produced and marketed fastening products including zippers, hook & loop, plastic hardware, snap & buttons, and more.

The business has won the trust of customers through comprehensive quality management and integrated production systems, the flexibility to provide a stable supply of what customers truly need, and consistently high product quality the world over.

The needs of those customers become more diversified every day, and we respond swiftly with the products they demand as well as the marketing, development, and production levels they have come to expect. As we strive to grow, we will never compromise, and never sacrifice the quality of the products and services our customers count on us to provide.



▶Apparel

Efforts to Continue to Meet Customer Needs

Presently, the global fashion industry is experiencing growing diversification in consumer needs alongside shorter product cycles, resulting in demand for even faster product development and more reasonable pricing. The business is exerting its efforts for the Standard category and for BOP*1 products, targeting global super brands and sports apparel brands, and also aiming to boost sales in expanding markets such as Asia.

Presently, YKK products are being used worldwide in various settings, and moving forward, we will maintain our efforts to further enhance our technology to be able to provide even more customers with the products that they seek.

▶Industrial Fastening Materials

Striving to Be of Use to Even More Customers

YKK's fastening products are used as industrial fastening materials in objects including automobiles, disposable diapers, and shoes. They conceal a limitless range of applications, and the company is therefore able to propose fastening solutions adapted to the needs and wishes of customers. Moving forward, we will continue to pursue greater product planning and development capabilities in order to be useful in a wide range of fields.

*1 Base of the Pyramid

In order to supply safe, secure, environmentally-friendly products, YKK conducts its product manufacturing in conformance with world-class product safety and quality standards.

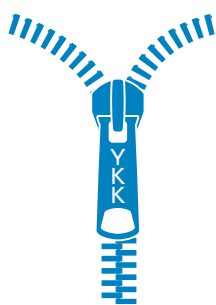
Please refer to the following link for information on YKK's fastening product quality assurance system.

<https://www.ykkfastening.com/quality/>

FASTENING PRODUCTS

Fastening Business

FY2018 Results



Number of Zippers Sold
10.07 billion pcs



Net Sales
332.8 billion yen



Operating Income
53.6 billion yen

Fifth Mid-Term Management Plan Business Policy

We have adopted "Aim for further quantitative growth" as our business policy, and to achieve this we will strengthen our competitiveness in the Standard category. We aim to provide customers with better products at a lower cost and greater speed. At the heart of this is technology; we will strive for qualitative growth using numbers merely as indicators.

Key Measures

- Strengthen development capabilities
- Increase product variation
- Improve on-time delivery performance
- Strengthen cost competitiveness

Targets to be Achieved by FY2020

- Capital investment: 154.1 billion yen
- New product development offices: 19
- New development personnel: 250

Summary of Consolidated Financial Results FY2018

In our Fastening Business, we worked on strengthening supply structures in China and Asia and increasing the sales volume of high-value added products in Europe and the U.S. Our efforts occurred during a period that saw a rise in the price of raw materials and increases in manufacturing-related fixed costs in China and Asia

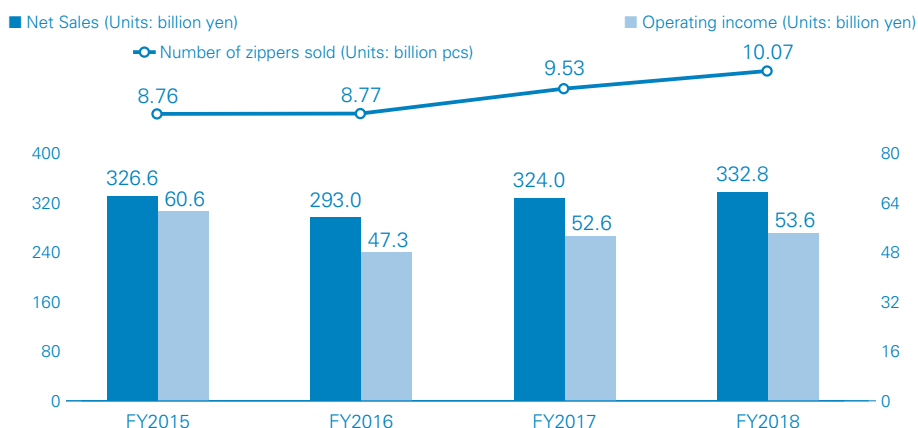
accompanying investments. Nevertheless, we achieved increased sales volume and improved capacity utilization that, along with ongoing cost reductions, turned out to be major profit-boosting factors. Consequently, sales increased to 332.8 billion yen and operating income increased to 53.6 billion yen.

FY2019 Business Policy

In order to achieve our FY2020 zipper sales target of 12.88 billion pieces, we have positioned the Standard segment as the highest priority category, but will strengthen business competitiveness in both products and *monozukuri* in the Value Conscious and Base of the Pyramid (BoP) segments as well. Furthermore, the global fastening product development structure will be further fortified, and region-based product development will enable timely responses to customer requests. In the growth markets of Asia, proactive investment will be made to further strengthen our

supply platform. In FY2019, the fastening business plans to make these and other investments, totaling 48.9 billion yen (of which about 36%, or 17.5 billion yen, will be invested in the Asia Region). In Japan, too, the fastening business is looking to further strengthen customer service. The sales department of the JAPAN Company that was established last year will be re-organized into a regional axis and an R&D Promotion Office established in Kurobe. Part of the Kurobe plant will be rebuilt and factory automation introduced with the goal of shortening manufacturing lead times.

▼ Fastening Business Net Sales and Operating Income



Main Topics for FY2018

Aim for Further Quantitative Growth

—Better products at a lower cost and greater speed—



YKK Bangladesh Pte. Ltd. No. 2 Plant

In FY2018, led by our Mid-Term Business Policy of "Aim for further quantitative growth," we have taken measures such as building a structure for increased production in the growing Asian market; increasing sales for the Standard segment by deeply cultivating demand by mass retailers in Europe and the U.S. as well

as the domestic demand in each country; augmenting product development bases; and strengthening product lineups. In our active investment in the growing Asian markets, we have successfully started up operation of the YKK Bangladesh Pte. Ltd. No. 2 Plant that was completed in FY2017, which will serve as a site that meets growing internal market demand and supplies products for processing and exporting. Through our measures for augmenting product development bases, in April 2018 we opened an R&D Center at YKK Vietnam Co., Ltd. This brought our number of fastening development sites to 36 (8 of which are R&D Centers) and our number of R&D site personnel to 945 at the end of FY2018.

The Goal of the "JAPAN Company" Established in the Fastening Products Group is the Unification of Manufacturing, Development, and Sales

While there are major changes in the textile industry, the Japanese market is showing increasing diversity of customer demands and shorter lead times. JAPAN Company was established in the Fastening Products Group in April 2018. Its goal is to provide development products and services more promptly by unifying manufacturing, development, and sales in Japan, and connecting the voices of our customers directly with manufacturing sites.

Note that YKK Fastening Products Sales Inc. a wholly-owned subsidiary of YKK for domestic sales, was absorbed in July 2018. In addition, we emphasize manufacturing in Kurobe, so the Kurobe Plant will be partially rebuilt and FA equipment brought in during FY2019 to turn it into a model 24-hour operation

plant. By bringing together the technological prowess of the Group, we can shorten production lead times to further strengthen our customer services.





ARCHITECTURAL PRODUCTS

AP Business

Seeking New Opportunities

Private homes and commercial buildings, where people live and work, create value in their surrounding areas, become part of the local culture, and are ultimately part of the global environment.

Windows and doors are significant

attributes to creating comfortable living spaces. Building facades create beautiful urban scenery. The YKK AP Business aims to deliver advanced comfort to living and urban spaces through its architectural products.



▶ Residential Products

Supporting Construction of Homes While Valuing the Era, Region, Beauty, and Individuality

We offer a variety of products, from windows and doors to exterior fixtures, aimed at creating homes for new lifestyles and comfortable living. A characteristic of our products is the high added value from factors such as enhanced basic performance, variation in color and design, and functionality. We provide solutions suited to a new dimension of needs, including application, aesthetics, accessibility, insulation, the environment, and recycling.

▶ Commercial Products

Delivering New Value for Ideal Construction

We deliver the design, performance, and function required in all construction, from skyscrapers to medium- and low-rise buildings. The components and systems required for this have been validated through many years of achievements. Please make the most of our extensive know-how, cultivated through our global expansion and involvement in many large projects. Not only do we handle everything from development to manufacturing, we also fully support construction and provide after-sales service.

YKK AP strives to provide customers with safety and security. We have formulated the YKK AP Product Safety Basic Policy, consisting of our Product Safety Pledge and Product Safety Action Guidelines, so that the entire company can work as one to actively implement product safety measures.

Please refer to the following link for information on the YKK AP Product Safety Basic Policy.

<https://www.ykkap.co.jp/company/japanese/safety/> (Information in Japanese)

ARCHITECTURAL PRODUCTS

AP Business

FY2018 Results



Net Sales

428.0 billion yen



Operating Income

23.5 billion yen

Fifth Mid-Term Management Plan Business Policy

Aiming for sustained business growth, even in a tough market environment where the amount of new domestic housing construction work is expected to shrink, we set "Sustainable growth of the AP business through added-value and demand creation" as our business policy, and we will work on key measures through each of our seven businesses and business areas.

Key Measures

- **Residential business:** Promote windows with high thermal insulation performance
- **Exterior business:** Reinforce sales through expanding products range and increasing product appeal
- **Renovation business:** Create demands and boost growth
- **Commercial products business:** Increase engineering capability and promote high thermal insulation products
- **Overseas AP business:** Reinforce business foundation and expand business in the target market
- **Facade business:** Expand presence of Facade business
- **Business process re-engineering:** Standardize and optimize business processes

Summary of Consolidated Financial Results FY2018

In Japan, the AP business has promoted measures for high thermal insulation such as expanding sales of vinyl windows for residences. In addition, the business worked on creating demand, especially for exterior products. Overseas, there

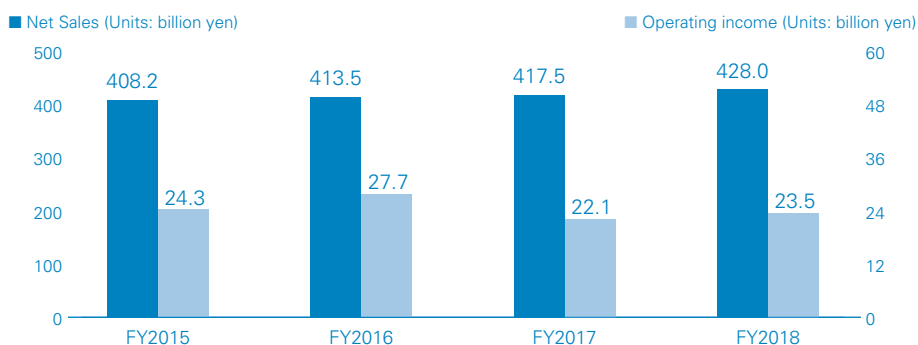
were strong sales in the U.S. and China. As a result, both revenue and profit grew, with the company posting net sales of 428.0 billion yen and operating income of 23.5 billion yen.

FY2019 Business Policy

In the domestic residential business, the AP business will continue to promote high thermal insulation of windows by offering aluminum-vinyl composite windows, vinyl windows, and triple-glazing while bringing peace of mind and comfort to people's lives with increasingly high-added-value products. The exterior business will build on its product appeal base to boost sales, while the renovation/remodeling business will promote a growth strategy based on demand creation that leverages the key concepts of

"large openings/high thermal insulation/earthquake proofing" and "disaster protection/theft prevention." With regards to quality improvements, from FY2019 a new quality HQ will be established and quality assurance further strengthened throughout all supply chain processes. Meanwhile, in the overseas AP business, sales will be boosted in the U.S., China, and Asia regions with the goal of "reinforcing the foundations and expanding the target market."

▼ AP Business Net Sales and Operating Income



Main Topics for FY2018

Supporting Creating Homes with YKK AP Technology and Quality "Partners Support Studio" Established



Partners Support Studio exterior

As the needs of customers who seek homes that are safe, secure, healthy, and comfortable increases, the demand for quality grows dramatically. At the same time, we are faced with a chronic shortage of workers, who are also ageing. Against

this background, the Partners Support Studio was established in the YKK AP Kurobe Ogyu Plant in March 2019 as a facility for proposing technology for individual issues and demands faced by professional users. By exhibiting a full-sized housing model and providing proposals such as new initiatives that lead to easy-install construction methods, quality and technology related to when a product is constructed or used, we aim to create comfortable, safe, and secure housing together with the professional users who are our partners.



Trend Zone, Partners Support Studio



Technical Zone

Providing Comfortable Guest Rooms in the Expanding Hotel Market HOTEL MADO Thermal Insulation Vinyl Windows

With the government's initiatives towards making Japan a major tourist destination, more and more foreign tourists are visiting Japan each year, and so the hotel business is expected to expand. However, many Japanese hotels have the bed placed by the window, giving rise to concerns about cold drafts created by air chilled by the window blowing on the bed or guests' feet. At YKK AP, we launched the HOTEL MADO thermal insulation vinyl window in December 2018. This window was designed especially for hotels, and offers superior energy-saving properties and high levels of thermal insulation. Compared to the previous standard of multiple layers of glass in an aluminum sash, these new

windows offer around three times more thermal insulation, helping control cold drafts. We will continue to contribute to creating comfortable guest rooms in the expanding hotel market.



HOTEL MADO



MACHINERY & ENGINEERING

**Machinery &
Engineering Group**

Strengthening Our Technology Capabilities to Reinforce the Competitiveness of the Fastening and AP Businesses

The Machinery & Engineering Group contributes to the growth of the YKK Group by developing and manufacturing machinery as the core of YKK Group technologies. The YKK Group has grown globally by developing an integrated production system that encompasses materials, manufacturing equipment, and products. The Machinery & Engineering Group supplies machinery specialized for the Fastening and AP businesses to YKK

Group plants all over the world by developing materials, machinery, and equipment, and manufacturing machinery parts, dies, and machinery. For the elemental technologies that are needed to further strengthen our business competitiveness, we are promoting the introduction of external technologies through cooperation with companies and universities while at the same time seeking to cultivate our own in-house development.



Machinery and Equipment Development Suitable for Production Sites

Manufacturing Technology Development

The Machinery & Engineering Group develops and designs specialized machinery for zipper production suited to the Fastening business plants in each country and region. It also makes the production lines and systems for Architectural Products, especially for windows.

Machinery Manufacturing

The manufacture and supply of machinery developed by the Manufacturing Technology Development Division helps to support the high quality and cost competitiveness of both the Fastening and AP businesses. Furthermore, the Group manufactures the molds that support this quality using a wide range of precision processing technology.

Mid- to Long-Term Engineering Development

Foundational Technology Development

We also develop materials used in products and innovative technology for manufacturing processes. Furthermore, we are engaged in development of materials for molds, which are essential for product manufacture, development of their processing technology, and of the elemental technology needed for machinery and equipment.

Analysis & Simulation

We support technological development for the YKK Group through material development and analysis essential for improving product quality, including trace components in materials and microstructures. Furthermore, we use simulation technology to forecast product capability and product quality, and develop our own systems to contribute to improved development speed within the business.

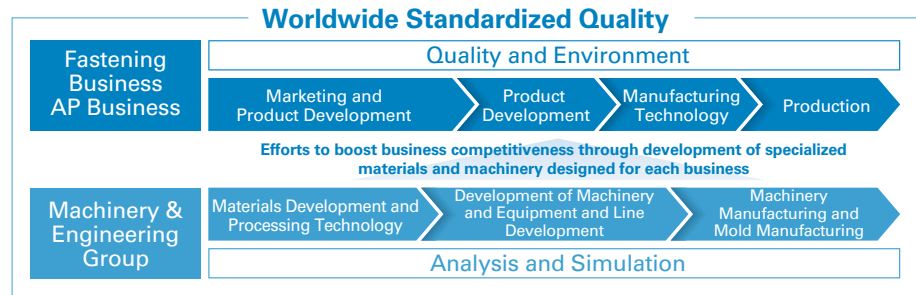
MACHINERY & ENGINEERING

Machinery & Engineering Group

The YKK Group's Integrated Production Philosophy

The YKK Group implements an integrated production system for in-house development and production encompassing everything from materials to manufacturing equipment and products. The YKK Group has achieved our characteristic worldwide standardized quality

through processes for the stable worldwide supply of high quality products. This involves elemental technology, such as development of various materials and processes; recycling technology suited to the environment; and even constructing logistics, sales, and manufacturing systems.



Fifth Mid-Term Management Plan Execution Policy

The Machinery & Engineering Group, which supports the integrated production system of the Fastening and AP businesses, has adopted "Reinforcement and evolution of foundational elemental technology" as the Fifth Mid-Term Management Plan execution policy, and aims to challenge for "high function" and "low price" in the Standard category.

- | | |
|--------------|--|
| Key Measures | <ul style="list-style-type: none"> • Second stage of machinery and equipment development suitable for production sites • Technology development with a mid- to long-term vision (strengthening robot utilization technological capabilities, etc.) |
|--------------|--|

FY2019 Business Policy

Priority measures in FY2019 are to undertake continuous operations and manufacturing cost reductions on dedicated zipper lines by developing dedicated zipper production equipment and lines; improve, reform, and evolve vinyl window and aluminum-vinyl composite window manufacturing lines by

developing dedicated AP production equipment and lines; reduce costs in materials and processes as well as strengthening of *monozukuri* and production control functions in machine manufacturing; and promote digitization and technology using robots.



Individual training on the factory floor

Main Topics for FY2018

Human resources development for technicians and engineers

The YKK Group's strength is its manufacturing in accordance with skills. In FY2018, we worked on increasing skills through OJT and enhancing basic lectures on the factory floor, in addition to taking on the challenge of the WorldSkills Competition for

young engineers. In FY2019, we will continue to carry out human resources development with a balance between principles and rules and actual practice, working to increase skill levels still further.

RESEARCH & DEVELOPMENT

Research and Development Activities

Like its business activities, the research and development activities of the YKK Group (YKK Corporation and its consolidated subsidiaries) are carried out under a six-region global structure. The regional bases are in Japan (core operations), North and Central America, South America, EMEA (Europe, the Middle East and Africa), China and Asia.

The R&D expenses of the overall Group for FY2018 amounted to 23.351 billion yen. The Group's major accomplishments during FY2018 can be summarized as follows.

Fastening Products Group

The Fastening Products Group has set "Aim for further quantitative growth" as its Fifth Mid-Term Business Policy and is working to strengthen competitiveness in the Standard segment, which it positions as its priority category. At the same time, Fastening Products is undertaking the further strengthening of its new product development and development capabilities to fulfill customer requests in the high-value-added and Asian domestic markets.

Major achievements include pants zipper products for the Asian domestic market and the development of a plastic zipper product that utilizes a plant-based synthetic fiber as part of the Group's sustainability efforts. Fastening Products also expanded variations of new, woven-in zippers for shoes that are stronger yet also less intrusive than conventional zippers. In snaps & buttons, the

Fastening Products Group developed environmentally friendly jeans buttons with superior quality and cost performance that utilize a new surface-finishing technique. What is more, the production process for sewn products manufacturing vendors was rationalized through a jointly developed device that streamlines the sewing of jeans zippers. Work was automated to boost productivity.

Going forward, Fastening Products will continue to strengthen its overseas product development offices as well as carry out capacity-building of local developers to further support the foundation of its global fastening development capabilities. Every customer request will be fulfilled around the world in a timely manner to provide new value to even more people. The R&D expenses for the Fastening Products Group totaled 9.45 billion yen.

AP Group

With the "Sustainable growth of the AP business through added-value and demand creation" as its Fifth Mid-Term Business Policy, the AP Group is engaged in boosting the level of its development capabilities and reform of the front-loading development process to create demand through high added-value products with enhanced quality in four areas—products, the front line, usage and information.

Major achievements included development, in the residential products field, of the APW430 high-performance, triple-glass vinyl sliding window and the Venato D30 front door; in the exterior field, the Solarea roof and wall system for terraces and balconies; and in the commercial products field, HOTEL MADDO, the high thermal insulation performance vinyl windows for hotels. Efforts were made in such ways to thoroughly increase the product appeal of the AP Group. At the same time, focus was also placed on the injection of maintenance

products for former electrical products, and the provision of information and service rollout, such as the publication of maintenance manuals for assembly, construction and maintenance contractors.

Going forward, amid a harsh business environment, such as even fiercer competition and the rising cost of materials, the AP Group will thoroughly reform its product structure, composition, and system to improve profitability. Readiness and product lineups in all fields, including remodeling/renovation and maintenance, will be boosted. Capacity-building with an eye to the development of next-generation human resources will be carried out not only in Japan but also overseas for the further enhancement of technology capabilities, product appeal and earning power. The AP Group will aim to achieve the top position in customer satisfaction in such ways. The R&D expenses related to the AP Group totaled 9.474 billion yen.

Other Businesses

As the core of the YKK Group's integrated production, the Machinery & Engineering Group is engaged in the challenge for 'high function' and 'low price' in the Standard category based on its Fifth Mid-Term Execution Policy, which is the reinforcement and evolution of foundational elemental technology.

Machinery & Engineering Group's main machinery and equipment development themes in FY2018 were, in regard to the Fastening Products Group, the development of assembly machines toward improvement of overall equipment efficiency, chain machines toward continuous operation, and zipper slider assembly machines that are capable of handling slider variations. For the AP Group, Machinery & Engineering Group undertook development of production lines for vinyl windows and aluminum-vinyl composite windows that utilize robots and reduce the number of required workers. As for robots,

elemental technology development was carried out for handling zippers and parts, and so, in FY2019, the development of prototypes will be undertaken.

In addition to such developments, Machinery & Engineering Group will undertake, in FY2019, cost reduction that considers even materials and processes, the promotion of digital manufacturing and the development of artificial intelligence engineers, and the development and in-house production of liquid solutions for plating, aiming to further strengthen business competitiveness.

As for the elemental technology necessary for the aforementioned, Machinery & Engineering Group will work to intensify in-house development while also proactively adopting external technology or carrying out joint development with other enterprises and universities. The R&D expenses of the Machinery & Engineering Group totaled 4.426 billion yen.

Contributing to a sustainable society by building businesses of long standing based on the *shinise* spirit

Based on the YKK Philosophy, the "Cycle of Goodness", the YKK Group aims to contribute to a sustainable society through its core business. In this feature, we invited Mr. Takeshi Fukuzawa, who is highly knowledgeable about the wisdom of *shinise* companies (established and long standing companies), to talk with our director, Tadahiro Yoshida, about the importance of corporate principles.



Takeshi Fukuzawa

Honorary Adviser, Mitsubishi Estate Co., Ltd.
Chairman, Spirit of SHINISE

Tadahiro Yoshida

Director, YKK Corporation
Director, YKK AP Inc.

Takeshi Fukuzawa: Born 1932 in Tokyo. Graduated from Keio University Faculty of Law in 1961 and joined Mitsubishi Estate Co., Ltd. in the same year. After serving in such position as Leasing & Rental Department Director, Mr. Fukuzawa was named President in 1994, Chairman of the Board in 2001, Adviser in 2007, and Honorary Adviser in 2015, a position he still holds.

He has been President of The Council for Area Development and Management of Otemachi, Marunouchi, and Yurakucho and Executive Committee Chairman of the La Folle Journée au JAPON.

In his book "Dokuritsu Jison wo Ikite" (Keio University Press), he told of his 12-year battle with and ultimate victory over severe tuberculosis, the challenges he undertook as President of Mitsubishi Estate during the reconstruction of the Marunouchi area, and his great-grandfather, Yukichi Fukuzawa.

Tadahiro Yoshida: Born in 1947 in Toyama Prefecture, Japan, Yoshida graduated from the Keio University Faculty of Law. In 1972, after graduating from the Kellogg School of Management at Northwestern University in the United States, he joined YKK Corporation (formerly known as Yoshida Kogyo K.K.). In 1990, Mr. Yoshida became president of YKK AP Inc. In 1993, he became president of YKK Corporation. In 2011, Mr. Yoshida became chairman and CEO of YKK Corporation and YKK AP Inc. Since 2018, he has been a director of YKK Corporation and YKK AP Inc.

The *Shinise* Spirit Builds Standing Companies



Yoshida: Thank you very much for taking time out of your busy schedule for us today.

Fukuzawa: It is an honor to be invited. Recently, we've had more opportunities to see each other thanks to "the Spirit of SHINISE meetings."

Yoshida: Yes, we have. I always look forward to seeing you there. While we're on the topic, would you like to tell us about "the Spirit of

SHINISE meetings?"

Fukuzawa: Of course. It is a gathering that focuses on learning about and preserving the spirit and philosophy of *shinise* (established and long standing companies). We study the nature of what we call the *shinise* spirit. By this, I mean management that considers a company to be a public institution of society and pursues enduring, sound, long-term prosperity. We add new definitions to the proven, traditional values of this kind of *shinise* spirit, and our activities are guided by the idea of making it part of the social capital in the 22nd and 23rd centuries. Essentially, we are an association inspired by a philosophy of building established and long standing companies based on a traditional *shinise* spirit. Our goal is to define and implement this philosophy through various means. Our members—be they publicly listed companies, unlisted companies, owner companies or non-owner companies, companies run by their founders or otherwise, companies with a long history or new companies,

large or mid-sized companies—are united by a belief in the traditional *shinise* spirit.

Yoshida: YKK joined in 2011, and we have had wonderful opportunities to learn directly from company leaders about the corporate spirit, philosophy, principles, and makeup of many prominent companies. Truly, I learn a great deal at every meeting.

Fukuzawa: I'm happy to hear that. Over time, I've also learned from many examples of *shinise* spirit, and in particular what these companies have in common. In every case, the companies have a tradition of being very cognizant of the importance of its customers and the fact that they are part of society. As well, every company has continued to nurture this spirit and knowledge over a long period of time. Of course, there is a multitude of different corporate styles, but all of the companies we look at begin with a deep commitment to sincerely dealing with society and customers, their employees, and building relationships of real trust. In addition, they are characterized by a well-reasoned approach based on a long-term vision to implement such thinking in their business dealings. I believe this is because they are guided by a philosophy that values business continuity over short-term profits.

Yoshida: I agree. The companies are also alike in that they tie that wisdom to a vision of sustainable management, and develop modern approaches to business. Just as you point out, I believe that business continuity is the key point. Ultimately, when you look at business continuity and consider the broader picture, you see the connections with people's lives and society at large.

The "Cycle of Goodness" as Practical Philosophy

Fukuzawa: The YKK corporate philosophy, the "Cycle of Goodness," is based on the same kind of thinking, isn't it?

Yoshida: Yes. Tadao Yoshida, the founder of YKK, said that companies are important members of society and that they only exist in the context of society. He believed that the way to mutual prosperity was for companies to make the sharing of benefits their main focus, and thus have their value recognized by society at large. His idea was that companies should, in the course of their business activities, strive to come up with inventions and original ideas and constantly create new value, thereby developing their business and contributing to society by helping clients and business partners prosper. He called this the "Cycle of Goodness," and based all his business activities on it. We've inherited the idea and made it the YKK philosophy.

Fukuzawa: I see.

Yoshida: Furthermore, the "Cycle of Goodness" is less a logically constructed system than a philosophy born of actual practice that has emerged from tough fights over quality, cost, and overseas markets. When facing issues—not just the ones in front of us, but the big-picture problems as well—this philosophy helps us face and overcome challenges, with courage and without fear of failure. In this way, the "Cycle of Goodness" is like a spiritual framework and foundation that shows vividly throughout the history of every YKK business.

Fukuzawa: It's a very compelling idea.

Yoshida: Thank you. We believe that the goal of our corporate activities is to help build a better society through our core business. This perspective is particularly important when you think about business from a long-term point of view. In our case, we arrived at this position not by creating a series of theories; rather, we came to our philosophy through the lessons of experience.

Fukuzawa: I see. So it's a philosophy born of actual practice, arrived at by resolving various difficulties and challenges.

Yoshida: That's right.

The physical eventually disappears, but ideas are eternal

Yoshida: By the way, when did you start to become interested in the *shinise* spirit?

Fukuzawa: It began with the collapse of Lehman Brothers. That one incident dealt a massive blow to the world economy. It upset me to learn that the myopic pursuit of profit, to the exclusion of everything else, had become so prevalent in the world.

Yoshida: I also remember feeling very uncomfortable. When I looked at the series of events leading to the Lehman collapse, I was left wondering where market economics were heading. It was clear that something operating on a stage different from actual industry could have an impact on the economy, but I couldn't see how that was a positive for society.

Fukuzawa: It was a money game divorced from real economic activity, played out all over the world. Of course, it is important for companies to take financial risks, and I'm not saying they shouldn't. But, that risk-taking must never become the goal in and of itself. This conviction became stronger as I witnessed the resulting economic downturn. It was during this time that an acquaintance of mine approached me and asked if I would be interested in studying Japanese companies of long standing, or *shinise*. As we talked, he said that he had deep misgivings about recent trends. Living in such times is reason enough to study the spirit and philosophy of those established and long standing companies.

Yoshida: I agree. You said before that the traditional *shinise* companies prioritize co-existence with society, rather than the reckless pursuit of immediate profit. I very much agree with that. At the same time, you've also said that for such companies to build up their long history, they must be constantly engaged in creation and destruction.

Fukuzawa: That's right. For example, a company that tries to zealously preserve its profit structure, organizational plans, or other facets of its makeup, will be unable to carve out a long history. In this sense, established and long standing companies are organizations that can constantly renew themselves by repeatedly engaging in creation and destruction. What such companies preserve is their spirit, the philosophy that guides them. Thus, the non-physical, spiritual nature becomes the focus.

Yoshida: I agree. Our founder Tadao Yoshida also once said that the physical eventually disappears, but ideas are eternal. What's important is to transform yourself and constantly create new value that meets the needs of the era. Sometimes, it becomes necessary to make drastic changes for the future. In such cases, you need firm footing. This is what a corporate spirit provides, and this is why the spirit must be preserved and passed on.

Fukuzawa: Indeed. If you don't have something real at the core that needs preserving, you cannot maintain a cycle of thorough creation and destruction. In other words, philosophy, spirit, and management principles are the center of all business activities. We have to constantly remind ourselves of this. At the same time, we must not forget that a company is a public institution of society. Sustainable management begins with making the company beloved by a wide range of stakeholders, and making it necessary to society.

Yoshida: I have learned a lot today. I'm definitely going to apply these lessons. Although YKK is a business-to-business company, I will continue to remind myself that beyond our corporate customers are end-users and society at large. As a manufacturing company, I want us to keep striving to use technology to create new social value. Thank you very much for sharing your valuable insights with me today.



Management Foundation Based on the YKK Philosophy

The YKK Group has created a foundation for fulfilling its corporate social responsibilities and is engaged in activities with the aim of enhancing its corporate value.

Corporate Governance

Fundamental Approach

The philosophy of the YKK Group in conducting its corporate activities is based on the spirit of the "Cycle of Goodness," which means, "No one prospers without rendering benefit to others." This principle of consistent fairness is the foundation of all our management activities. In accordance with this concept, the YKK Group strives to enhance its corporate governance system in an effort to further enrich its corporate value.

YKK's basic approach to corporate governance involves several organizations and systems. The Board of Directors serves to make decisions on important matters, such as the Company's management policy, and serves as an oversight function. The Audit & Supervisory Board, meanwhile, is the Company's auditing organization. The final component of the Company's basic approach is the Officer System, a framework that helps the Company promote the execution of business and operations.

System

To further strengthen its consolidated management, the YKK Group elects executive vice presidents from YKK AP Inc., YKK Fastening Products Group, and other organizations as members of the Board of Directors, restructuring the YKK Board of Directors.

The Company has also appointed two outside directors to add to its eight internal directors, aiming to bolster corporate governance and draw on the advisory and supervisory skills that their extensive

insight and experience provide.

The YKK Group elects Group Officers from among the operating officers at core Group companies and the regional headquarters, etc. in the Six-Region Global Structure.

Moreover, there is an Advisory Board to gather insights from outside experts to help address general management matters and important management issues.

Note that of the four auditors at YKK, three are external.

Risk Management

YKK Group Risk Management Policy

To promote risk management Group-wide and enhance corporate value by proactively controlling risk levels, preventing various corporate risks, and reducing or avoiding human, material and other losses of managerial resources, as well as keeping to a minimum the damages and losses incurred during emergencies.

Detailed information on corporate governance, risk management, and compliance can be found on our website under "Corporate Social Responsibility" (CSR).

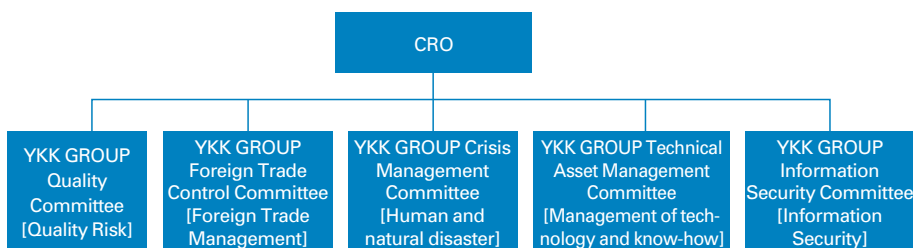
<https://www.ykk.com/english/corporate/csr/index.html>

Fundamental Approach

The YKK Group undertakes risk management in accordance with policies it sets. To do this, the Group has appointed a Chief Risk Management Officer (CRO), established a Quality Committee, Foreign Trade

Control Committee, Crisis Management Committee, Technical Asset Management Committee and Information Security Committee, and adopts and enforces regulations on risk management.

▼ Risk Management Structure



Compliance

Fundamental Approach and System

The YKK Group considers compliance to be responding to societal demands, and that in addition to abiding by laws, regulations, and internal rules, compliance represents conforming with social norms required when conducting business activities.

The Company has appointed a Compliance Director and established a Corporate Legal and Compliance Group under the Officer in charge of compliance.

These parties work with external advisors to maintain a compliance system for the YKK Group. In addition, a Compliance Committee was established to undertake appropriate compliance promotion measures from the perspective of business management, and to deliberate on the operational status of compliance and responses to issues, and the latest regulatory developments.



Drills are held on a regular basis at bases both in Japan and overseas based on the BCP that the Crisis Management Committee is engaged in.



Compliance training is held on a regular basis for everyone at the officer level or higher.

YKK Global Criteria of Compliance (YGCC)

The YKK Group has established the YKK Global Criteria of Compliance (YGCC) to ensure that each YKK Group company deploys and carries out proper and effective compliance programs in order to conduct transparent business activities. Each YKK Group company conducts internal and external audits of human rights, labor practices, the environment, health and safety, and fair business practices, working to strengthen and sustainably improve the Group's compliance system.



Corporate Social Responsibility Based on the YKK Philosophy

The YKK Group strives to contribute to a sustainable society through our core businesses by implementing the YKK Philosophy of the "Cycle of Goodness" and our Management Principle "YKK seeks corporate value of higher significance."

Message from Committee Chairman

The Steering Committee has been active for five years now, and has steadily moved forward with initiatives for the various themes and issues of each region in order to reach the ideal described in the Fifth Mid-Term Management Plan. We are about to begin a new phase, one of incorporating sustainability into business strategies for the YKK Group, as the expectations of society towards promoting sustainability are becoming increasingly heightened these days. In the future, we shall deepen activities while reconciling opinions from both the company and our stakeholders in order to focus on contributing even more to society. While keeping the "Cycle of Goodness" philosophy as our shared foundation, we shall engage in initiatives expected of the YKK Group that leverage the distinctiveness of each company and connect these to the provision of new value to society.

Satoshi Honda

Steering Committee
Chairman
YKK Corporation
Executive Vice President
Corporate Planning



Fundamental Approach

Ever since YKK's founding, the spiritual pillar of all YKK Group business operations has been the "Cycle of Goodness" Philosophy, which embodies our belief that no one prospers without rendering benefit to others.

All YKK Group companies based in 72 countries/regions around the world share the "Cycle of Goodness" Philosophy and the Management Principle "YKK seeks corporate value of higher significance." Fairness is the standard on which we base our conduct.

The YKK Group's Corporate Social Responsibility

We have a responsibility as a corporate citizen, and we take this responsibility seriously in order to practice fair business management. Significant changes are taking place in the environments that surround the YKK Group. Whether in Japan or abroad, it is our duty to respect diversity—of cultures, customs, and viewpoints—and play a role in the development of society

through our business operations.

The YKK Group will continue to promote initiatives for the realization of a sustainable society through our core businesses, by implementing the YKK Philosophy of the "Cycle of Goodness" and our Management Principle, "YKK seeks corporate value of higher significance."

Promotion Structure

The YKK Group supports the activities of responsible divisions in each region with a Group-wide perspective in light of the seven core subjects of ISO 26000. We established a Steering Committee in April 2014 to be able to grasp Group-wide activities in more detail.

The Committee met three times (June, November, March) during FY2018, where members shared progress for activities in various core issues and held game format workshops to deepen understanding of SDGs and consider how the company could contribute specifically.



Committee meeting held using teleconferencing to link each base

Activity Goals and Results

We established key themes and measures for each core subject of ISO 26000, and are driving activities with goals set for each fiscal year. Below, we introduce notable activities for FY2018 together with future goals.

▼ Notable Activities in FY2018 and Goals for FY2019 (WEB) Details regarding activities are available at: <https://www.ykk.com/english/corporate/csr/index.html>

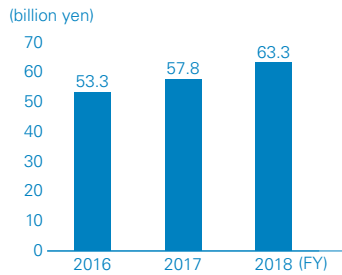
Core Subjects	Key Themes and Measures	Notable Activities in FY2018	Goals for FY2019
Organizational Governance	Establishment of a management structure	<ul style="list-style-type: none"> Meeting of the Steering Committee (3 times/year) 	<ul style="list-style-type: none"> Meeting of the Steering Committee (3 times/year)
Human Rights	Company-wide promotion of Human Rights Policy	<ul style="list-style-type: none"> Collation and analysis of YGCC* 2.0 checklists Shared the latest status with HR managers in each region at global meeting of personnel management officers and the Asia Human Resources Meeting 	<ul style="list-style-type: none"> Reviewed and studied human rights policies Redevelop governance structure related to human rights and labor practices (ongoing)
Labor Practices	Non-discriminatory provision of opportunities for nurturing talent	<ul style="list-style-type: none"> Collation and analysis of YGCC* 2.0 checklists Confirmed provision status for human resources training opportunities Shared the latest status with HR managers in each region at the global meeting of personnel management officers and the Asia Human Resources Meeting 	<ul style="list-style-type: none"> Strengthen monitoring of human resource development / education and training (ongoing) Redevelop governance structure related to human rights and labor practices (ongoing)
	Fostering an accountable safety culture and eliminating major accidents	<ul style="list-style-type: none"> Tried improvement program for overseas safety management personnel Revised and deployed Group Safety and Health Standards (Mechanical Design) Implemented Safety Management Special Instruction (6 locations) Established a workplace accident information management system 	<ul style="list-style-type: none"> Full operation of improvement program for overseas safety management personnel Extraction, improvement, and deployment (in Japan) for issues in safety inspection systems when bringing in or updating machinery Provide ongoing support through Safety Management Special Instruction Operate and utilize a workplace accident information management system
Environment	Strengthening of environmental governance	<ul style="list-style-type: none"> Implemented self-checking for Group environmental management Started operation of an environmental database (94% entry rate) Formulated 	<ul style="list-style-type: none"> Utilize self-check results Improve operational efficiency of environmental data system Create and spread environmental promotion designed to increase awareness of the long-term environmental vision
	Sustainable procurement and adaptations to climate change	<ul style="list-style-type: none"> Carried out water risk assessment at production sites with a focus on climate change risks 	<ul style="list-style-type: none"> Promote understanding of water risks at each base
Fair Operating Practices	Reinforcement of socially responsible procurement	<p>Japan</p> <ul style="list-style-type: none"> CSR questionnaire and assessment of business partners (feedback to 107 companies, audit of 3 companies) <p>Others</p> <ul style="list-style-type: none"> Collected basic principles of procurement (China) Introduced CSR procurement (Asia) 	<p>Japan</p> <ul style="list-style-type: none"> Ongoing assessment of business partners and CSR questionnaires <p>Others</p> <ul style="list-style-type: none"> Complete collection of basic principles of procurement (China) Expand CSR procurement (Asia, EMEA)
Consumer Issues	Improvement of Traceability (YKK)	<ul style="list-style-type: none"> Inspection of material inspection system based on purchasing lists (on-site inspection at eight companies) 	<ul style="list-style-type: none"> Ongoing on-site inspection of material inspection system
	Promotion of the elimination of harmful substances (YKK)	<ul style="list-style-type: none"> Completed replacement of eight of seventeen materials containing target substances 	<ul style="list-style-type: none"> Complete replacement of nine materials (completed total of seventeen materials)
	System to protect consumer rights (YKK AP)	<ul style="list-style-type: none"> Updated Guidebook for Use and Maintenance (16 cases) Provided accident information utilizing website (1 case) 	<ul style="list-style-type: none"> Update Guidebook for Use and Maintenance (ongoing) Continue to provide information via website (accident prevention awareness-raising)
	Strengthen traceability linked with the provision of information for maintaining quality (YKK AP)	<ul style="list-style-type: none"> Support inquiries from customers and issues extracted by the Steering Committee (12 times a year) Participation in METI's product safety community Issued revised version of "Guidelines on Labeling of Warnings for Sashes, Doors, etc." by the Japan Sash Manufacturers Association (JSMA) 	<ul style="list-style-type: none"> Support for inquiries from customers and hold meetings to share their voices Participation in METI's product safety community (ongoing) Ongoing participation in the CS Managers Meeting of the JSMA
	Development and promotion of products that consider the entire life-cycle and the 3R's (YKK AP)	<ul style="list-style-type: none"> Received Global Awards (3 cases) Obtained and published EcoLeaf certification for our aluminum window products for commercial buildings 	<ul style="list-style-type: none"> Expand and utilize EcoLeaf-certified products (at least 1 case)
Community Involvement and Development	Enhancement of stakeholder dialogues by top management	<ul style="list-style-type: none"> Implemented dialogue between top management and stakeholders (1 time) 	<ul style="list-style-type: none"> Implement dialogues between top management and stakeholders (ongoing)
	Reinforcement of external information disclosure regarding Corporate Social Responsibility	<ul style="list-style-type: none"> Distributed CSR/environmental news releases (11 times) Support for individual reporting (7 times) Enhanced information distribution on the website 	<ul style="list-style-type: none"> Release news regarding sustainability (8 times) Support for individual reporting (8 times) Enhance sustainability information distribution on the website

* YGCC = YKK Global Criteria of Compliance

Our Initiatives in Each Region

NORTH & CENTRAL AMERICA

▼ Regional Sales Changes



FY2018 Notable Initiatives

- ▶ Supported higher education for employees (Tape Craft Corporation)
- ▶ Selected as one of the "2018 Top Workplaces in Atlanta"
- ▶ Promoted employee health (North and Central American companies)

Activities That Root Us in Each Region, Hand in Hand with Local People

YKK's first overseas base was opened in 1959. YKK's founder, Tadao Yoshida, explained that when people are working abroad, "They should show respect for a place's customs, practices and traditions, and feel as if they were actually born there." Learning from this lesson in being part of the local community, we have worked to contribute to the development of local communities through businesses rooted in the region. In North and Central America, YKK CANADA INC. celebrated its 50th anniversary in 2018. We invited the mayor of Saint-Laurent, where YKK Canada is based, to the festivities along with many other stakeholders to celebrate this milestone, and look back on the history we have built together with the local community.

We are also actively engaging in protecting our local natural environments. YKK Group companies have held YKK

Group Tree Planting Day in concert with World Environment Day every June 5 since 2008, planting trees around the world. We shall continue to work with local people in the hope that we can achieve a sustainable society.



During the 50th anniversary celebration, a ceremony to open a new Product Development Office inside the YKK Canada plant was held

Support for Repairing Facility Damaged by Hurricane

In summer 2017, Hurricane Harvey wreaked considerable damage across southern Texas and other areas. The Santa Maria Hostel, a treatment facility which for many years had supported women and their families in difficult situations in Houston, was also severely damaged. In October 2018, the NGO AEC Cares launched a project to repair the Santa Maria Hostel and improve its environment. YKK AP America Inc. also

helped out. Over 150 volunteers from the architecture, engineering, and construction industries came together to refurbish interiors and create a new garden, greatly improving the hostel. YKK AP America provided support primarily for the construction of a new walkway at the hostel. We shall continue contributing to society through our business, based on the YKK Philosophy of the "Cycle of Goodness."



Joined the Sustainable Apparel Coalition (SAC), the international sustainability group for the apparel industry

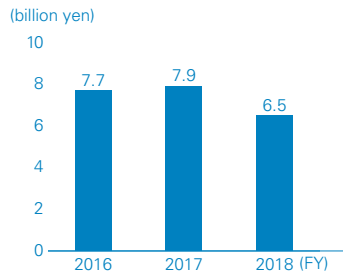


YKK AP America staff who took part in this project



SOUTH AMERICA

▼ Regional Sales Changes



FY2018 Notable Initiatives

- ▶ Implemented leader development programs
- ▶ Engaged in counterfeit product elimination activities
- ▶ Campaign to raise awareness of human rights to coincide with the UN Zero Discrimination Day (all of these undertaken by all South American companies)

Coffee Beans Contributing to the Development of Local Economies

In 1972, when YKK entered Brazil with its zipper business, inflation was rising sharply following the first oil crisis and poverty was rapidly increasing. Given this situation, Agro Pecuaria YKK LTDA launched a coffee business in 1985 in order to contribute to Brazilian society by reinvesting profit earned locally. Underpinning this is the belief of YKK's founder Tadao Yoshida, who proposed that advancement into the fields of clothing, housing, and food is the foundation of business management. Coffee production worksites contributed to local economic development by employing local residents and nurturing human resources through vocational training and the transfer of skills.

When paying a courtesy call on the mayor of Bonfinopolis in 2017, we were encouraged by his words, "Thanks to YKK, the coffee industry has taken root in this region, we have been able to modernize,



Local employees with harvested coffee beans

and the whole area has developed. We hope you will spread Bonfinopolis coffee around the world." Café Bonfino, which serves in-house roasted coffee, is opening branches in Japan as well. It offers YKK's high-quality, aromatic coffee to everyone, beyond national borders.

Contributing to Healthy Lifestyles Through Community Gardening

For many years, Argentina has faced serious poverty issues, so projects to encourage families to grow their own vegetables and improve their nutrition have been carried out around the country. In Pilar, Buenos Aires province, where YKK Argentina S.A. has its plant, a community

market garden project has been underway since 2016, and YKK has been a participant in this as well. This project provides freshly-harvested crops to schools, old folks' homes, cooperative unions, and so on. By encouraging people to grow their own vegetables through training participants, in addition to supporting nutritionally balanced meals, we hope to be able to achieve healthy diets for the whole region. At present, some 5,800 locals have been receiving its benefits. YKK Argentina has received a letter of thanks from the Pilar bureau of the environment for supporting the creation of vegetable gardens in kindergartens. As a member of the community, we intend to continue contributing to the creation of a verdant environment that supports healthy lifestyles for the residents.



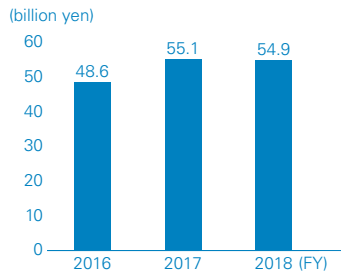
YKK Argentina supports the creation of vegetable gardens

Our Initiatives in Each Region

EMEA

(Europe, the Middle East and Africa)

Regional Sales Changes



FY2018 Notable Initiatives

- ▶ Supported Local School Renovation (YKK Tunisia SARL)
- ▶ Supported Education for Youth Through Scholarships (YKK Southern Africa (Pty) Ltd.)
- ▶ Received MC Mutual's BaroAward for Companies with Low Industrial Accident Rates (YKK España S.A.)

Partnerships Spreading Thanks to Support Through Business

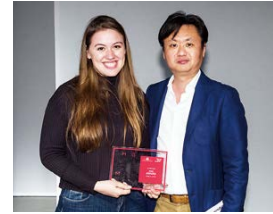
In the EMEA Region, since the establishment of YKK Nederland B.V. in 1964, we have been working to supply fastening products for a variety of industries, including the garment industry. In recent years, we have been actively tackling social issues, providing information and carrying out a range of support activities under the slogan "It's not just a zip" to help bring about a sustainable society.

As in other regions, YKK companies in EMEA help to support students studying

IT'S NOT JUST A ZIP

@notjustazip
notjustazip.ykkeurope.com

fashion: in 2018, we sponsored a fashion show at the Formate Design School in the north-west of Spain. We have also taken part in an



At Milano Moda Graduate 2018



industry-academia project through CNMI*, and at the Milano Moda Graduate 2018, which is aimed at students, we presented the YKK Award as a special prize. We shall continue contributing to the creation of environments where talented students can make the most of their unfettered creativity.

* Camera Nazionale della Moda Italiana, the National Chamber for Italian Fashion. It hosts the Milano Collection.



Helping Street Children Support Themselves in Egypt

Urban areas in Egypt are home to thousands of children who are forced to live on the streets due to poverty, violence, or other reasons. Caritas-Egypt, operated by an international NGO, is a temporary shelter for street children where they are given meals, or can make art or accessories, and even play soccer or do other things, to provide them with support for returning to their families or to society.

In 2018, YKK Egypt S.A.E. has been providing zippers to Caritas-Egypt through JICA (Japan International Cooperation Agency), and the children have been making pouches and wallets using these zippers and selling them at events.

We hope that YKK zippers will help these children become part of society, and will consider how best to support them in future.



Excella® Fin awarded the German Design Award 2019



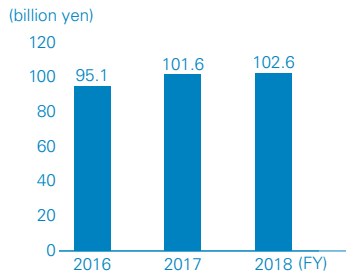
Caritas-Egypt



Pouches with pictures embroidered by the children being made

CHINA

▼ Regional Sales Changes



FY2018 Notable Initiatives

- ▶ Jointly hosted human resources development activities with a trade school (YKK AP (Suzhou) Co., Ltd.)
- ▶ Recertified as a Pudong New Area Corporate Social Responsibility (CSR Passing Grade Company) (YKK (China) Investment Co., Ltd.)
- ▶ YKK companies in China contributed to regional development through participation in events such as dragon boat races

Joint Efforts with Customers and Government Organizations to Combat Counterfeit Goods

The damage caused by counterfeit goods is growing in a wide range of industries. YKK tackles the issue of eradicating counterfeit YKK zippers and the products which use them in markets around the world. There are no product safety guarantees for counterfeit goods, and the growth of the demand for counterfeit goods market not only threatens to harm YKK's brand value, but could also damage the brand values of customers that use YKK products. As it is difficult for a single company to counteract counterfeit goods, YKK is promoting the Brand Protection Partnership (B.P.P.) for the protection of brands in collaboration with government organizations and related companies such as customers and industry groups.

In China, where there are still numerous



Advertising to educate consumers about brand protection

reports of damage caused by counterfeit goods, we continue to focus our efforts on crackdowns on businesses that manufacture and sell counterfeit YKK zippers in cooperation with government organizations. Recently, in addition to strengthening our initiatives in conjunction with the Chinese bases of our customers, we have also been expanding our efforts in Southeast Asia.

Becoming an Architectural Materials Brand Trusted in the Chinese Market Through Appealing Products



Cross-section through LD65T

* High-performance thermal insulation aluminum product developed in response to the needs for thermal insulation performance demanded by China's climate conditions, which range from very cold regions to subtropical regions.

YKK AP got its start in China in 2001. Since then, we have worked to produce new products demanded by the rapidly-growing Chinese market, emphasizing integrated production. In 2018, we received two brand awards in China. The China Metal Structures Association's Third Architectural Window Curtain Walls Industry FBC Award for "The Most Innovative Window Curtain Wall System" was awarded for our LD65T* high-performance thermal insulation aluminum product. In addition, in the "Architectural Brands (Windows) We Want to Use" selected by the top five

hundred companies in the China Real Estate Association, we were selected as Number 1 in the East China region and Number 2 in the South China region. This was our second FBC Award, and the second year running to be awarded Number 1 in the "Architectural Brands (Windows) We Want to Use," and the sixth time overall since we were first chosen in 2011. We shall continue to provide products and services that respond to the demands of our Chinese customers.

Please see our news release (Japanese only) for details.
<https://www.ykkap.co.jp/company/japanese/news/detail.html?s=20181126>



The FBC Award presentation ceremony

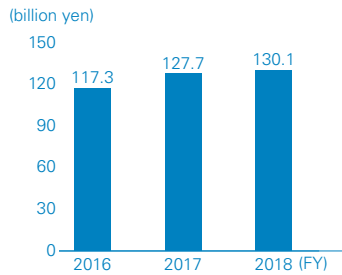


LD65T display corner at the YKK AP booth at Fenestration Bau China 2018

Our Initiatives in Each Region

ASIA

▼ Regional Sales Changes



FY2018 Notable Initiatives

- ▶ Established "Waste Bank" with the Local Community (PT. YKK AP Indonesia)
- ▶ Partnered with BINUS Northumbria School of Design (PT. YKK AP Zipper Indonesia)
- ▶ Implemented Fourth Asia Talent Development Program

Developing and Tackling the Issues Faced by Local Communities

India has undergone a startling amount of economic growth, but its literacy and school enrollment rates are still low. The difficulties faced by young women in gaining employment and becoming independent are becoming an especially severe social problem. In 2007, YKK India Private Limited built an occupational training center in its grounds with the aim of educating young women in nearby developing regions and promoting their economic independence. In addition to English lessons and basic computer skill training, students can, through the vocational program, learn how to use sewing machines, perform stitching and embroidery, and other skills that will enable them to gain employment in the garment manufacturing factories of India, which has a robust garment industry. Over the 11 years since the center was opened, it has provided support for the

economic independence of young women. A total of 169 trainees have completed the program as of the end of FY2018. YKK India will continue to work closely with the local communities to solve the problems they face so that YKK and these communities can develop and grow together.



FY2018 program graduates

Working to Solve Social Issues in Hot and Humid Areas at a New Research and Development Base

Southeast Asia is a hot and humid area, characterized by high temperatures and humidity levels. To allow comfortable living environments, windows need to be developed to suit the local climate and architectural conditions. YKK AP opened the YKK AP R&D Center (Indonesia) in August 2018 to serve as a base for researching and developing windows that will contribute to living environments in tropical regions. Some hundred people, including important guests and related parties,

attended the opening ceremony. Great things are expected from our industry-government-academia partnership.

The Center is the third YKK AP research and development base globally. It is used to develop openings suited for the climates and architecture of hot and humid areas, especially Southeast Asia; research passive design for designing comfortable, low-energy housing; and develop windows that can contribute to solving social issues around the globe as global warming advances.



Ongoing "Kids Football Clinic" program, launched in 2007, provides support for children's education and healthy development

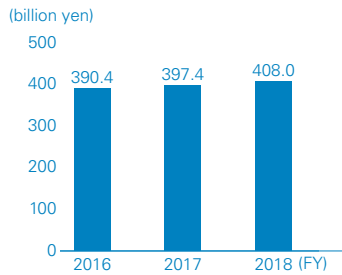
<https://www.youtube.com/user/YKKASAO>



YKK AP R&D Center (Indonesia)

JAPAN

▼ Regional Sales Changes



FY2018 Notable Initiatives

- ▶ Building K, Third Block, Passive Town was First Japanese Winner of the 2017 LEED Homes Awards
- ▶ Toyama Prefecture's "Prefectural Citizens Hometown Grand Award" Winner (YKK)
- ▶ Maezawa Garden Celebrates Tenth Anniversary of Cherry Blossom Garden



Environmental
Management Survey
ranking

9th place

in the 22nd Nikkei Environmental
Management Survey
(sponsor: The Nihon Keizai Shimbun)

Proposing a Fun, Easy to Use, "Universal Fashion"

Fastening products normally work smoothly if both hands can be used, but if that is not possible, such as one hand is occupied or the person is disabled, they become hard to use. This is why we have held the Universal Design Fashion Roundtable* to seek out not just the ease of use of the product itself, but how easy it is to use in apparel or bags, and how fun it is as fashion. We held discussions on ideas for using YKK Universal Design products, and their usefulness. The new fashions created based on this roundtable were exhibited at YKK FASTENING CREATION for 2019, and attracted much interest from visitors. We shall continue to create synergies that never existed before through experiments like this,



Universal Fashion

developing Universal Design products that offer useful functionality for all people, regardless of age or disability.

click-TRAK®

This zipper is designed to be able to be used easily by the elderly or disabled, as it can be closed easily by just clicking the opening together like snap fasteners.



* See the following for details of this roundtable, which was attended by disabled persons, designers, and occupational therapists.
<https://www.ykkfastening.com/products/scenes/universal/>

Spreading the Word about the Importance of Windows to a Wide Range of People Through Building Eco Houses

At YKK AP, we hold "Building Eco-Friendly Houses from the Window Perspective" workshops around the country for parents and their children. This initiative is designed to get consumers to sense windows as a familiar part of their lives and learn how windows could make their living environments more comfortable. This event is an original YKK program that allows people to learn through study and making things about the points of "cool in summer/warm in winter homes," as well as ways to live comfortably

and environmentally-consciously through taking advantage of nature.

In FY2018, in addition to holding these workshops at our showrooms and MADO shops, we also held them with local governments. We shall continue promoting these activities, as we consider them a good opportunity to get a wide range of people, from children to adults, to think about how the natural environment and housing should work together, and to pass on the importance of windows.



Eco-friendly houses created by children



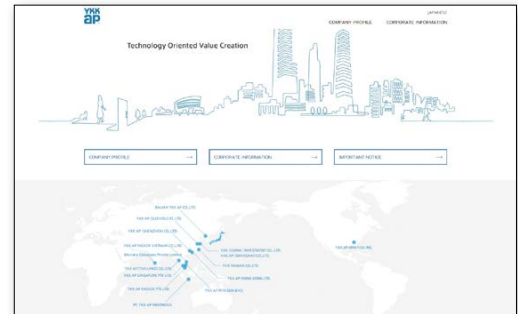
A workshop held at Takarazuka, Hyogo Prefecture

YKK Group Companies' Websites

Information on each of the YKK Group companies is disclosed on their respective websites.

For details, please see the websites for each country and region below.

(as of August 1, 2019)



Fastening Products

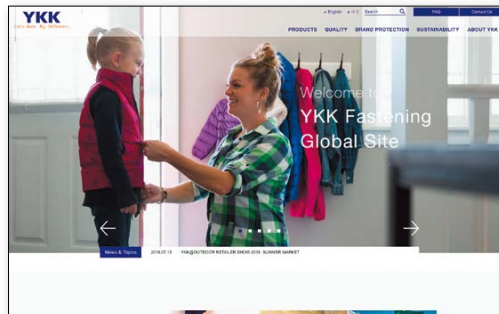
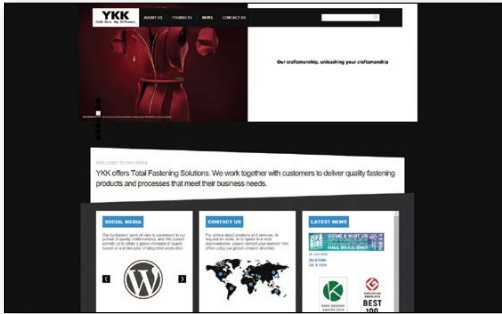
https://www.ykk.com/english/corporate/g_establishment/fastening.html

Architectural Products

https://www.ykk.com/english/corporate/g_establishment/ap.html

Others

https://www.ykk.com/english/corporate/g_establishment/others.html



YKK Corporation

Founded January 1, 1934

Capital 11,992,400,500 yen (as of March 31, 2019)

YKK Group

Global network 108 companies in 72 countries/regions
(19 companies in Japan and 89 overseas companies as of March 31, 2019)

Employees 46,167
(17,671 employees in Japan and 28,496 overseas employees as of March 31, 2019)

Consolidated net sales 765.7 billion yen
(Fastening business: 332.8 billion yen, AP business: 428.0 billion yen)

*Based on FY2018 results

 YKK CORPORATION

<https://www.ykk.com>